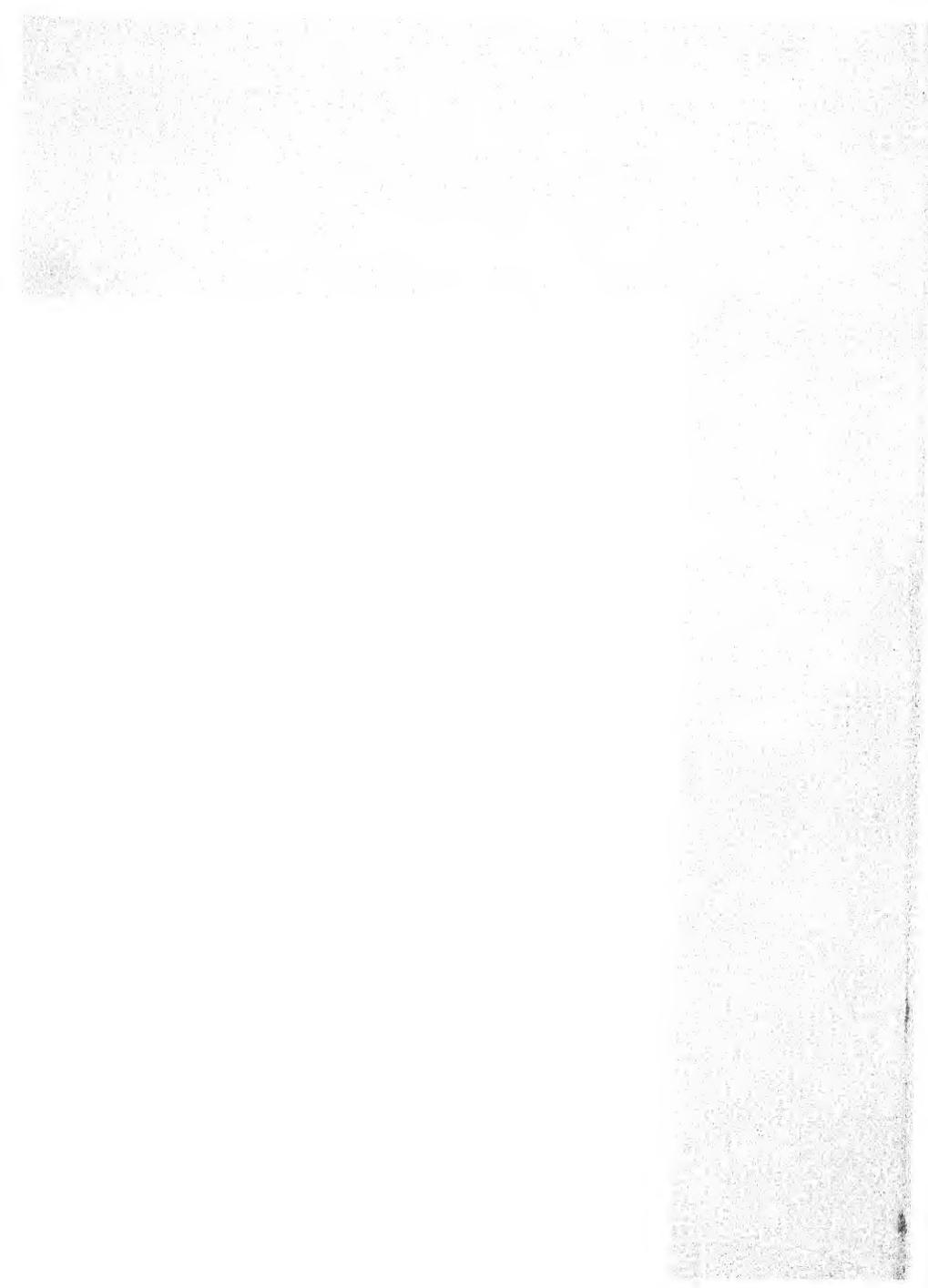


PUBLIC SUPPLIES



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A Treatise on Principles and Technique

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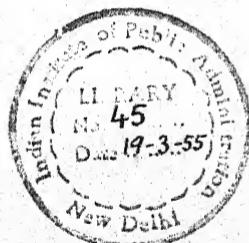
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Preface

Before writing a book on this subject, I had to take a major decision. In the public service there has been always a conflict of opinion on administrative policy in the matter of supplies. Not only how the functions of supplies work should be carried out but to whom the responsibility for it should be given. It is the considered view of the Institute of Public Supplies Officers that this work is specialized and that the officers undertaking it should be properly trained. With the tremendous growth of the public services, especially when the great industries and welfare services, which were nationalized after the 1939-45 war, are taken into account, it is in the opinion of the Institute very important that the professional standards of the officers in the public services are advanced so that newcomers appreciate their responsibilities and develop the necessary technique in the performance of their duties. The Institute of Public Supplies Officers emphasizes the great importance of all its members being conscious that they are public servants and, as such, should not only exercise the strictest economy in the carrying out of the duties for which they are responsible but also develop a sense of trusteeship in the administration of the money and property in their charge.

Bearing this in mind, I felt before beginning to write this book that I had to decide seriously whether my opinion should be expressed or whether the book should objectively set out the facts, leaving conclusions entirely to the reader. Well, the fact is, it is not possible to write on a subject, knowing that opinions vary at nearly every stage, without disclosing one's own views. Even an attempt at complete objectivity would be bound to be defeated in the unconscious selection of material from the collection which it is necessary to accumulate before attempting a book of this kind.

The decision taken, therefore, was to set out the author's

opinion frankly and sincerely where occasion required it, and to state, with due acknowledgment, other opinions where they were quoted. My friends know that I have never felt there need be shame in expressing a deep conviction in plain, strong terms. On the other hand, as this book will be used a good deal by students, I urge them not to accept my or any other opinion as incontrovertible, but rather as a whetstone against which to sharpen their minds.

I wish to express my admiration and gratitude to the authors of the books and articles from which I have drawn inspiration. Where I have quoted them I have been at some pains not to do so out of context.

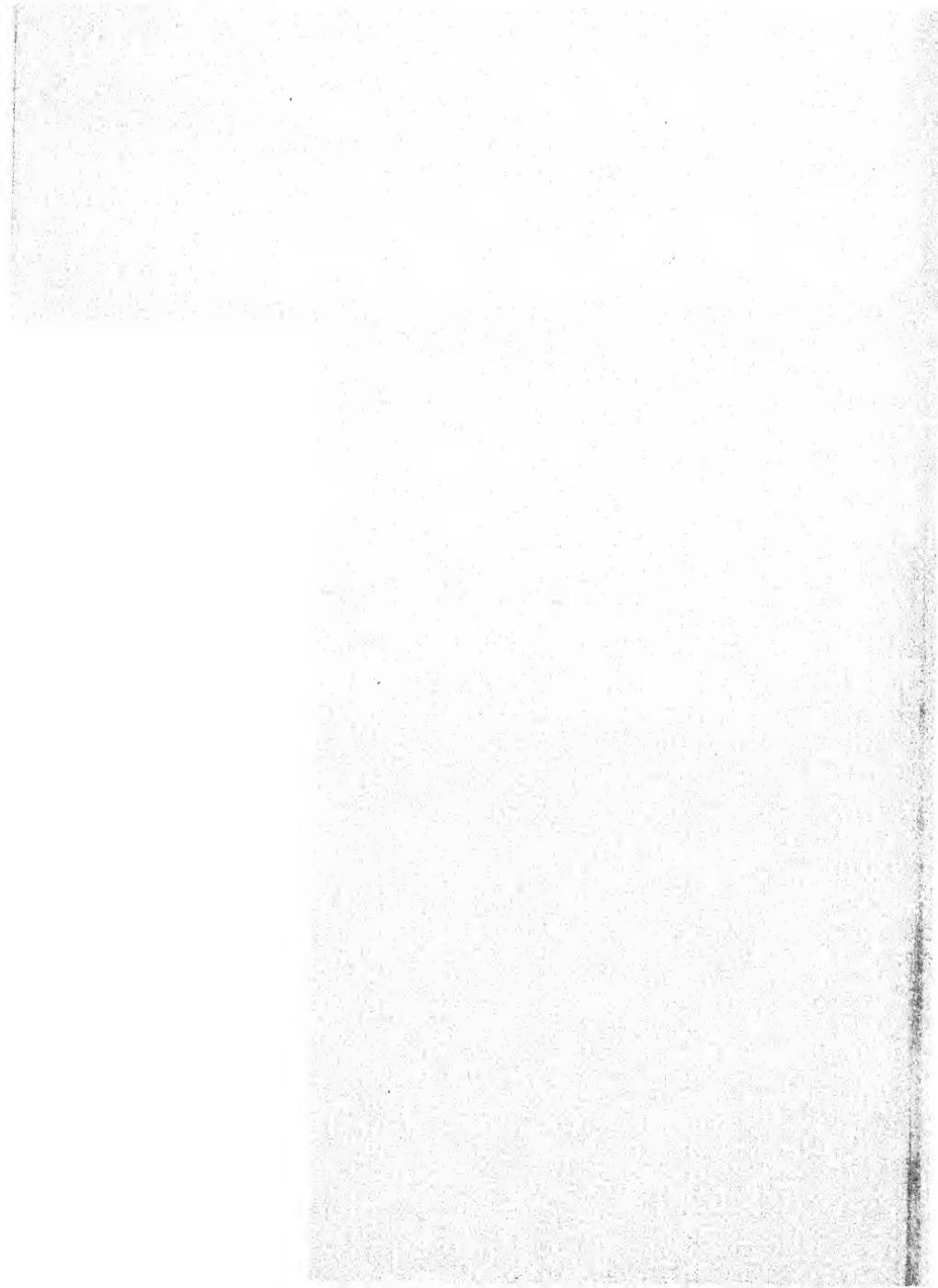
Finally I cannot refrain from expressing my deep indebtedness to the President, Officers and Council of the Institute of Public Supplies Officers and to the Education Committee and other committees of that body, to the panel of members appointed to act as a consultative committee whilst I have been engaged on this book, and to the Secretary of the Institute and the Editor of *Supplies*. To these and to a number of my former colleagues in the public service I am sincerely grateful. Not always have their views coincided with mine, I am glad to say, and from the friendly clash of opinion I have drawn inspiration and encouragement. If I succeed in showing that supplies work merits the serious training of the officers engaged in it, I shall feel that the labour of writing this book has not been in vain.

E. J. BOSWELL KING

August 1953

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PRINCIPLES

It is right to state positively at the beginning of a book such as this, which deals largely with administration, that pure scientific method is impracticable. Administration is not a science; it is sometimes alluded to as an art, which seems to be adding yet another load of meaning to an already over-burdened word. So that although a serious attempt has been made to base conclusions in this treatise on established and accepted facts, and where possible on actual practice, it is nevertheless unavoidable that opinion must in places obtrude. Where the opinion is that of the author it is made plain that this is so; where it is derived from an outside source the origin is quoted wherever ascertainable. It has not been thought worth while to include opinion without briefly summarizing the reasoning on which it has been formed.

In the changing world of to-day language makes a resolute attempt to keep up with new discoveries, inventions, legislation, arrangements in administration, variations in social habits. New words are coined almost weekly and many colloquial and slang words are adopted and become part of normal language. Some of the words invented for official purposes become objects of ridicule, sometimes (but not always) with justification. There is, however, an additional difficulty in the use of words indicating processes; the changes in the social structure often have the effect of altering the general idea associated with a word referring to a function. Such a word is 'Supplies' especially in relation to public supplies. 'Supplies' means, broadly, the necessary stores and provisions. But changes due to legislation, organization, administration and so on have given the word a different significance, and unfortunately a variable significance according to the

context in which it is used. In the interest of clear thinking and consistency, therefore, it is proposed in the first chapter or so of this treatise to attach definitions to a number of terms in current use in the work of Public Supplies.

The term 'Supplies' when used departmentally in the public services may include a wide variety of executive functions. At its minimum it includes responsibilities for the procurement of necessary stores and provisions and other goods for use and consumption in the service concerned. The word 'procurement' in this connection is itself an illustration of the argument used in the preceding paragraph that changing conditions alter the significance of words. Some years back it would be taken for granted that almost always supplies were obtained by purchase. But to-day, Government controls, Government bulk-buying and the nationalization of certain basic industries have altered procedure materially where stores and goods affected thereby are required for the public services. Hence 'procurement' has been substituted for 'purchase.'

The term 'Public Supplies' sometimes includes goods obtained for re-sale to the public. It also includes arranging by contract or otherwise for the supply of works or services of maintenance. Other functions which may be included are referred to in the following paragraphs.

There are few raw materials or manufactured articles that are not now needed in one branch or another of the public services. Human needs are dealt with individually and collectively. Even before conception; before, during and after birth; during childhood and adult life; at death and after—each phase may be taken care of in the Welfare State, and each requires the furnishing of stores. Collectively, public health, education, social welfare, recreation, water, sewerage, rivers, docks, gas, water, electricity, coal, transport on ground, in sea, river and air. Research in science, picture galleries, museums, concert halls, fire brigades, parks, farms and open spaces, cemeteries, hospitals, homes for aged people, housing, monuments, forests, wireless, electronics, television and many other activities comprise subjects which one

department or another of the public service deals with and each consumes a wide variety of supplies and in many cases needs supply services. It was once said that purchases made by the Government and public authorities largely reflect the prosperity of a country in time of peace, but when that was said we were accustomed to thinking of peace and war as separate antithetical states. We are less confident now of the absolute significance of such abstract terms as peace and prosperity. The fact remains that the public services procure and use an ever-widening range of supplies, and as the luxuries of to-day become the necessities of to-morrow not only is there an increase in variety but an increase also in volume. To take a simple illustration, the variety and quantity of equipment in an elementary school to-day compared with a similar school at the beginning of the century discloses a change in the material adjuncts of education that is little less than staggering to anyone of contemplative mind. The new inventions turned to everyday use and brought into the home since the turn of the century have become so familiar and so accepted as a matter of course that their very multiplicity is entirely overlooked.

The term 'Supplies' in the public service also sometimes includes distribution, costing and accounting, transport and delivery, chemical or other laboratory analysis, disposal of surplus or unwanted goods, printing, maintenance and repairs, expert advice on construction, specifications and design of such goods as furniture, uniforms and motor vehicles, and a number of other functions such as, for example, the management of a 'pool' of motor-cars and vehicles used for official purposes. It almost always, but not invariably includes the management and maintenance of stores.

By far the greatest part of the procurement of supplies is done by buying. It is true that following the nationalization of some basic needs such as coal and electricity the term buying when applied to transactions between two branches of the public service has now a slightly different connotation from its meaning when the party selling is in industry or commerce. Nevertheless buying

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is the first and main function of supplies and store-keeping is the second.

In the course of the historical development of supplies work in the public services, terms such as 'bulk purchase' and 'central purchasing' have emerged, rather fortuitously, generally as a result of their use in reports of official committees set up by the Government. As is the case of so many terms and words used in official documents, the words which at the time of drafting seem to be a happy inspiration are frequently lacking in precision, and if an occasion subsequently arises for a politician or publicist to make a kind of literary football of them some degree of confusion as to what they really signify is bound to result.

The expression 'central purchase' to a supplies officer means the centralization of the responsibility of buying specified groups of goods required for consumption in a defined unit of administration. The defined unit of administration may be an Area in a nationalized service (e.g. the Coal Board) or a Group in an Area (e.g. the National Health Service) or a complete Authority (e.g. a County Council). It may be a Government Department (e.g. the Ministry of Supply) or an *ad hoc* public service (e.g. London Transport Executive; the Metropolitan Water Board). The specified groups of goods may or may not, as the case may be, include technical apparatus or machinery.

Another term, one which has received some publicity and has been the object of much misunderstanding is 'bulk purchase.' This again has no precise definition. Bulk purchase may mean merely 'bulked' purchase. For instance, let us suppose a concern has ten departments each using a large number of envelopes. Instead of each of these departments separately buying envelopes their requirements could be centralized and a bulk order placed to meet the total need. If this were done it might be that the size of the order would be sufficient to attract a discount which would show a by no means negligible saving to the concern. There is abundant evidence that even with a simple, single item like envelopes the amount of money involved, and saved, may be considerable. If this is meant by bulk purchase, practically every

industrial and commercial concern and newspaper organization of any size practises it. But the term has been extended to cover also other kinds of transaction. During wartime and during the period immediately following the end of the fighting some Government departments and other public bodies placed 'blanket' orders with manufacturing firms, in some cases taking a definite percentage of the output of certain articles, to ensure a flow of supplies. In this case, the order was not bulked in the sense that it grouped definite specified needs, but rather in the nature of an order for a flow over a period of time. Many of these transactions were referred to as 'bulk purchase.' Yet another group of transactions referred to commodities or foodstuffs often from abroad. Arrangements were made between countries and between this country and some of the Dominions, and between British Government agents and commercial concerns for bulk supplies of such things as timber, ores, metals, meat and butter, and these transactions became known as bulk purchase (as indeed they were).

Amongst supplies officers in conditions which we somewhat ironically describe as 'normal' the term 'bulk purchase' usually means the same as 'central purchase,' and as such is innocent of the wickedness that some people ascribe to the other forms in which, as stated above, the term is used, although, for some reasons (of which public supplies officers are not unaware) there are still enemies of central purchasing in the public services notwithstanding the weight of evidence in its favour.

As a matter of history the principle of centralized buying was adopted by the Government of the United Kingdom in 1786 when the organization which we now know as H.M. Stationery Office was set up.¹ In 1812 the purchase of stationery began to be made on tenders obtained by public advertisement and in 1817 the contract system was extended to printing. Subsequently the Stationery Office became the purchasing agent for all Departments of Government (including stations overseas) for every type of office equipment (other than furniture) including office

¹ Second Report of the Committee on the Standardization and Simplification of the Requirements of Local Authorities. H.M. Stationery Office, 1935.

machines as well as the more ordinary items of stationery and printing.

H.M. Office of Works, the predecessor of the Ministry of Works, acted as central purchaser on behalf of all the Civil Departments of the Government for the supply of office accommodation, furniture and equipment, fuel, floor coverings, cleaning materials, chandlery, hardware, oils and a great variety of builders and engineer stores.¹

The departmental committee to which reference is made in the footnote to the two preceding paragraphs published two Reports, one in 1934 and one in 1935. Some of the committee's findings have an important bearing on the functions of public supplies officers and further reference to this committee will be made later in this chapter. But, first, note should be taken of a Report of the Departmental Committee on Accounts of Local Authorities, published in 1907. In this report is set out for the first time in a document of this nature an important principle. Indeed it can be described as a fundamental principle of public supplies work.

The report states:

It is desirable on general grounds that the officer in charge of stores should not be the executive officer who is responsible for their consumption.

Between 1837 and 1907, the public bodies mainly concerned with the purchase of supplies (apart from the armed services and the General Post Office, Office of Works and Stationery Office) were the local authorities including such bodies as the Metropolitan Asylums Board, which was an authority of considerable size charged with many duties, including the management of the London hospitals for infectious diseases, mental hospitals, training colonies for mental defectives and epileptics, casual wards, tuberculosis hospitals, children's hospitals and

¹ Second Report of the Committee on the Standardization and Simplification of the Requirements of Local Authorities. H.M. Stationery Office, 1935.

convalescent homes, a training ship for boys and a number of other special clinics and institutions.

Before the setting up of centralized control of supplies, it had been usual in the local authorities to permit each hospital, or workhouse, or unit of administration to procure its own supplies under the direction of a local committee. Many bad practices grew up and at times the scandals were subject to such comment that a public inquiry had to be instituted by the Local Government Board which was then the government department charged with the supervision of administration by the local authorities.

Following the departmental committee of 1907 the Metropolitan Asylums Board itself set up a departmental committee in November 1907 to consider and report on the question of the procurement of supplies including estimating requirements, schedules, conditions of contract and purchase generally.

It should be noted that as far back as 1895 the Metropolitan Asylums Board had been alive to the advantages of central arrangements for the purchase, and, where economical, the central storage of supplies. In 1895 it was decided to establish a central stores and other important recommendations concerning the issue and acceptance of contracts centrally were put into force, including the setting up of a central contracts committee and a central contracts department.

The report of the board's departmental committee, dated 1908, contained many wise and cogent observations and the following extract is worth noting:

Public bodies do not usually—perhaps it is not expected that they should—take into consideration the position of the contractor. They doubtless imagine, and with a large measure of truth, that contractors can very well take care of themselves. The case is not, however, quite so simple as it may seem. A contract is of necessity two-sided, and when one party thereto arbitrarily shuts out of view some things to which the other party attaches great importance, the advantage to both sides cannot in the end fail to be diminished. Now, as against public bodies in general,

many contractors have several complaints. One is that their goods are often improperly rejected, because rejected by men who are not competent judges; a second is that too long a time elapses between the sending in of the tender and the receipt of any notification of its acceptance or otherwise; a third is the publication of the details of the quotations; a fourth is the mechanical acceptance of the lowest tender, or lowest item of a tender, regardless of error or other consideration; and a fifth is the rigidity of view taken on any error in the tender, no matter how obvious. . . .

It is fair to say that nowadays many public bodies do not take advantage of *bona fide* errors in quotations and that some public bodies have constitutionally provided for the acceptance of tenders other than the lowest. There is also less publication of details of tenders accepted.

The illusion that buying needs no specialized technique persists in many departments of the public service notwithstanding the recognition that has been given in commerce and industry. This is especially surprising when consideration is given to the initial disadvantages under which public bodies necessarily suffer in commercial dealings. The report referred to in the preceding paragraph which contained recommendations which resulted in the transforming of the existing central contracts department in 1908 into an integrated, specialized, central supplies department, has this to say, and again, although the words were written forty-six years ago they are no less close to realities to-day than they were in 1908:

Public bodies labour under several disadvantages in the matter of the purchase of supplies. They are the trustees of public money and are therefore compelled to adopt those methods which have the appearance of safety . . . and are debarred from methods which, however excellent the results may be, are admittedly open to risk. . . . Public bodies have to depend largely on officers, who may, or may not, be competent; who, if competent find less scope for these abilities, and less incentive to zeal than they would

find in most commercial circles; and who, if incompetent, are much less likely to be relieved of their duties than if they were in private employ. Moreover, all officers, competent and incompetent alike, are subject, sometimes to too much control, and sometimes to too little—too much control deadening initiative, interest and the sense of responsibility in the competent, and too little removing from the incompetent the stimulus they require. . . . The knowledge of public bodies as to the various kinds of articles they buy must of necessity be slender in most instances, and their knowledge of the customs of the various trades, the secrets of those trades, and let us add, the tricks of the trades, more slender still; yet the possession of knowledge of this kind is absolutely necessary if the best results are to be obtained.

In the course of their inquiries, the committee investigated supplies under many headings which were being purchased by hospitals before the central supplies department was set up.

Amongst ordinary household requisites (their report states) we find six kinds of blacklead, four kinds of laundry blue, five of starch, seven of soap and so on. *Many of these are proprietary articles* which, as we shall presently show, could probably be better purchased on a specification.

It will be recalled that the date of the document from which the foregoing extracts are quoted was 1908. Twenty-six years later, in the Report of the Committee on the Standardization and Simplification of the Requirements of Local Authorities, a committee set up by the Ministry of Health, we read:

The advantages of simplification seem to us clear. Apart from the savings which can be effected by the elimination of unnecessary duplication and waste, it becomes possible for goods to be bought in bulk, instead of in small quantities, and they can in consequence be bought at a reduced price. . . . Simplification, moreover, promotes internal administrative economy by making it possible to have only one contract for each class of goods.

Time is saved in the clerical department in preparing one contract instead of several; in checking accounts the accountant of the Authority and later the auditor need only refer to one contract instead of a series of contracts, and though each of these items may in itself be but small we are satisfied that the aggregate amount of office time involved is well worth saving.

Another advantage of simplification is that it will often make it possible to specify in the Authority's contracts standard articles of good quality, without naming any particular brand or make, instead of purchasing proprietary articles. Though proprietary articles may in general be reliable it is clearly undesirable to limit the field of quotation by reference to them if a general standard is available or even if a standard can be prepared by the Authority.

Between the years 1930 and 1948 the Supplies Department of the London County Council, acting in co-operation with the Medical Officer of Health, saved tens of thousands of pounds of public money in the purchase of certain medical and surgical supplies by specification instead of by purchase of proprietary brands. A recent pronouncement of the Minister of Health indicates that the value of this experience has been overlooked by some medical men in the National Health Service where the purchase of proprietary brands appears to have been heavy involving large sums of public money.

In the report of the committee referred to in the preceding paragraph some instances of what had been accomplished by simplifying and standardizing requirements were quoted, including two examples from American sources.

In a County Council by purchase in bulk a saving of £500 a year was made on office requisites alone.

Types of envelopes were reduced from 23 to 11.

In a County Borough by standardizing and purchasing envelopes in bulk a saving of 42.5 per cent was effected.

In another County Borough 22 kinds of disinfectants were reduced to 11; 32 kinds and sizes of towel were reduced to 12; 37 kinds and classes of cloth were reduced to 10.

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In a railway company 24 kinds of sweeping brushes were reduced to 4; 130 classes of paints were reduced to 55.

In an American State 75 kinds of soap and cleaning materials were reduced to 10 and a saving of 31 per cent effected. (Another State reduced 32 kinds of soap to 5.)

In an American city 40 different kinds of lubricating oils were reduced to 5.

A year later, in 1935, the committee issued a second report. In the course of the report (paragraph 12) they stated:

This may be an appropriate place to mention a tendency to give a preference to local tradesmen, sacrificing the benefits of bulk purchase and even the benefits of lower price.

Just ninety-nine years previously (1836) the master bakers of the parish of Bermondsey presented a memorial to the Poor Law Commissioners in which they complained that the Board instead of giving the recipients of out-door relief tickets which would be exchangeable for bread at the shops of the local bakers, were giving bread in kind, which had in fact been supplied by a baker who was not a ratepayer in the parish. (They suggested, too, in passing, that the bread was inferior—a familiar allegation.)

The Poor Law Commissioners, however, as far back as 1836 had given calm thought to the problem and in reply they stated:

- (a) the bread was unexceptionable in character supplied by contract which required it so to be;
- (b) the contract was advertised and in fact some local bakers had tendered but that "notwithstanding any advantages which they might possess in point of proximity, as compared with tradesmen who must send supplies from a distance, no tender was as low as the present contractor."

It is curious that the idea that public money should be spent locally persists—even at times amongst some officers. Even if at one time it was felt that ground existed for this practice because the money was raised locally by the rates, that notion could only

belong to the past. A great number of services are now subsidized by a grant from central funds and the nationalized services, such as the hospitals, are not a charge on local rates at all. In any case, ratepayers do not mainly consist of tradesmen; there is a duty to the others and where public money is concerned the duty lies in spending it to the utmost advantage. Incidentally even the rate-paying tradesmen benefit thereby. They have certainly no personal claim. At issue is public money, not 'spoils.'

Even the second report of the committee in 1935 could have been more candid in facing this issue. In their report there is an ambiguous sentence which reads "Every Local Authority has an interest in maintaining the financial stability of its own ratepayers and other things being equal it is proper that it should pay regard to this aspect of its purchases." In other words the local merchants have a kind of moral claim to some of the spoils. The Poor Law Commissioners of 1836 showed more firmness in facing this issue.

The 1935 Committee Report contained certain conclusions which should be noted, viz.:

- (i) that bulk purchase, if it is accompanied by standardization and simplification, enables better goods to be bought for less money;
- (ii) that bulk purchase cannot be operated with maximum success unless the requirements of the buying unit are large enough (a) to command large-scale buyers' terms; and (b) to employ experienced staff.

Other conclusions suggest that smaller authorities might with advantage combine with either a large authority or with one another to form a buying unit of appropriate size. The term 'bulk purchase' as here used should be read in reference to the observations in earlier paragraphs in this chapter.

The London County Council established a central supplies department in 1909 after some indecision. The trend of thinking on the part of some of the councillors and some of the officials, notably Mr. (afterwards Sir) Montagu Cox was in the direction of the decision eventually reached, but there was a good deal of

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internal opposition both from the Committees and the other chief officers.

The development is summarized in a history of the London County Council¹ as follows:

Taking local authorities as a whole there is not enough simplification of purchasing arrangements; too often a dozen or more different kinds of soap or crockery (for example) may be bought for the same purpose, usually at the chance whim of some person, or proprietary goods may be purchased although equally good, or even better, articles might be obtained more cheaply to a prescription or specification.

Standardization has not progressed far enough, in spite of the availability of the British Standards Institution. The value of using skilled or astute buyers might be more widely realized: open tendering must necessarily continue to be the principal stand-by of all authorities, but it is not always the best course when there are men who know the market. In many quarters of the world of local government purchasing methods are still too much based upon the earlier years of limited functions, instead of the present time of extensive duties. There were store depots under the several departmental heads but a separate Stores Committee was formed in 1892. This was the year in which the works department was established and an endeavour was made to combine the new department with the general supervision of stores under one committee and one chief officer. The notion had soon to be abandoned; the works manager had enough to do on his own special task. In 1898 after a long investigation a central store was established for some classes of goods in general use. Until then the system of separate store depots for each department had remained unaltered and had resulted in complaints from contractors that orders were given for small parcels of goods of which the cost of delivery to local stores sometimes exceeded

¹ *History of the London County Council 1889-1939*, by Sir Gwilym Gibbon, CB, CBE, DSc, and Reginald W. Bell, LL.M., Barrister-at-Law. Macmillan & Co., London, 1939.

their value. The work of supplies was greatly increased in 1904 when the Council became the education authority for London. By 1909 it became necessary to set up a stores (afterwards designated supplies) department with its own chief officer. The transfer of work was not achieved without some difficulties between the new department and the 'consuming' departments which not unnaturally wished to keep some degree of autonomy, at any rate in the sphere of supplies for emergencies and for special works and a compromise was reached.

It is an historical fact, although not stated in the *History*, that the new department (first called the 'Stores' and later renamed the 'Supplies' Department) was established and started out on a firm footing largely through the drive and public zeal of Mr. (later Sir) Isadore Salmon. Behind the scenes, as indicated in the *History*, the transfer of work was not achieved without opposition. But Isadore Salmon was convinced of the rightness as well as the soundness of central buying and eventually he overcame resistance and persuaded his fellow chairmen of the good business sense of his case. It is worth recording that Sir Isadore Salmon was by profession and training a business man. He was a director and chairman of J. Lyons and Co. Ltd., one of the most successful businesses of its kind in the world, a company whose shares are in the category of the leaders of investment securities. And Sir Isadore was advising a public authority to do no more and no less than was the practice of his own business in the matter of supplies, namely, adopt central purchase.

Central purchasing in one form or another has of course been adopted by most of the leading trading concerns throughout the world. But as is recognized in industrial production the operating unit of administration has a maximum as well as a minimum optimum of efficiency. In other words the administrative unit can be too large as well as too small and in the case of large trading corporations in this country, in America and on the Continent, it is often necessary to divide, by delegation, the responsibilities into units that can secure the optimum efficiency.

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This is generally done geographically by dividing the field of operations into areas. But the principle within each area remains and commonly power is retained at headquarters to keep a check on operations, and in some cases to undertake bulk purchase or define general specifications to which goods purchased must conform.

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In a book published many years ago in the United States of America the chief considerations in purchasing, which have been quoted many times, were summarized as follows: "What to buy; when to buy; where to buy; how much to buy; how much to pay." To these should be added—how to buy, how to ensure you get what you have ordered and are expected to pay for, and (during the past few years) when you will obtain delivery. Officers untrained in supplies work, although possibly extremely able in other directions not seldom display, when confronted with the questions under the above simple headings, an ignorance and a simplicity of commercial practice amounting to *naïveté*. It is commonly assumed that the user of supplies knows what he wants. Experience does not bear this out. Even in personal requirements shopkeepers will tell you that most of the people who come into a shop for anything beyond essentials, and often even for those, have a vague and not a precise idea of what they want. They may know they want biscuits, but are vague as to the kind. Often they are firm about what they do *not* want, but that scarcely leads to positive action without the salesman's assistance. An experienced salesman in a large West End men's store once told the writer that men who came to buy were more vague than women in their purchases.

There is nothing to be ashamed of in not making up your mind what you want to buy until you have seen specimens of what is offered and what the prices are. There may be other shops selling goods which would suit you better; there may be other shops where the same goods are being sold at lower prices—you may or may not learn of these, or you may not have the time and inclination to seek them out. Alternatively you may

spend a disproportionate amount of your time 'shopping' either because you like it or because you are impelled by motives of economy or sense of duty. What is quite certain is that if you are a professional public servant in any but the smallest authority with a specified administrative or executive task other than on full-time supplies work, you have neither the time nor the facilities to undertake efficient buying of the supplies needed for departmental use. To-day, more than ever before, buying on a large scale calls for expertness.

The author personally came on many instances illustrating the point that the user, far from being the best judge of what is required, is often unaware of the alternatives available in the market, frequently at a more favourable price. In many instances only a vague picture is present of what is required. Sometimes the incidents have an amusing side. In one case a departmental committee consisting of about twenty officers met regularly over a period of some months to discuss and recommend patterns of uniforms and overalls—a matter in which they held firm views. Careful notes were taken and prototypes made for examination. Eventually decisions were reached and accepted by all. As existing stocks of materials and uniforms already issued had to be used up before the introduction of the new types, some months elapsed before the new uniforms were issued. When they were, more than half the members of the departmental committee protested against the uniforms that 'Supplies' were trying to force on them. They had forgotten their own decisions. Another incident concerned the pattern of an article needed for use in a public establishment. The chairman of the committee protested against the types suggested by 'Supplies,' and insisted on a purchase being made of a proprietary article from a firm which could only fulfil a relatively small order at a retail price, which was considerably higher than the amount normally allotted for this item. When the articles were duly delivered, two other members of the same committee came to the supplies officer privately and told him they thought the articles supplied were 'horrible.'

Most experienced supplies officers could give accounts of similar

and frequent occurrences to those mentioned in the preceding paragraph. The following is a quotation from an official report written over forty years ago. It followed an investigation into the causes of the requests by officers in 'consumer' departments for particular brands or kinds or types of ordinary articles, often proprietary articles, resulting in the buying of many varieties of articles for the same purpose used by different sections in a large organization.

It arises out of a tendency natural to some men, to make a cult of their occupation, regardless of its intrinsic worth or utility; and the head of an institution—especially when he is not concerned with ways and means—will often strive after an ideal state of things, which, in the eyes of a dispassionate onlooker would seem to lack full justification. This tendency sometimes develops into that frame of mind which sets an undue value on non-essentials, as for instance on the pattern of a screen, or the size or shape of a printed form. It is a commonplace to observe that if it were necessary to manage public institutions on commercial lines (that is, either as paying concerns or at a fixed rate per head) substantial alterations would have to be made in many matters.

In an article in *Public Administration* in 1930, the author, Mr. H. S. Sadler, wrote:

The greatest obstacle to effective control of the investment in stores and materials is the practice of entrusting the custody and handling of a portion of the stock to the operating officials and permitting them to account for their disbursement. The invariable outcome of this practice is the purchase of large quantities of supplies on estimated future requirements, which is usually made without due consideration of past performance or present conditions, and with no exact knowledge of the situation outside of certain limited areas. These officials are authorized to

requisition for material for possible future needs which may, in fact, never develop, but the stores department has no alternative but to honour them. . . . The remedy for these conditions is the removal of the functions of providing and accounting for materials from the domain of consuming officers, and restricting their requisitions to only such material as is required for specific work, which they have been authorized to do.

The point here dealt with is a familiar one to experienced supplies officers. Even in organizations where there is a central supplies department, consumer departments are frequently authorized to create and manage 'sub-stores' under their own departmental control. Wherever this is permitted waste invariably occurs. Internal and external auditors must be tired of drawing attention to this wasteful procedure. It is, however, a very curious happening that public committees will often fasten attention on expenditure and waste of money when dealing with accounts but seem to be complaisant where waste occurs in materials which are but transformed capital. This is a very singular and interesting weakness in the economics of public administration and constitutes a field for immense saving. Once a vote of a sum of money for stores has been approved in the estimates, the goods, so long as they are properly accounted for in stock and other records, can be used wastefully (and often are) with impunity.

The decision when to buy should rest on a sound knowledge of the trade or industry concerned. In some trades there is a seasonal rhythm and supplies officers must make themselves aware of this. In the past there was far too much purchasing done by reference to convenient accounting or administrative dates and contracts too often ran from January 1st or April 1st, etc., because these were convenient dates for internal administration and not because they were the most opportune in relation to the seasonal rise and fall. But apart from seasonal rhythm the general economic trend of the country and world trends in commodity price levels need to be studied by supplies officers. The prices of these raw

materials are subsequently reflected in the prices of manufactured goods of which they are components. Australian and New Zealand wool sales are a valuable barometer from which reasonable forecasts of the price of woollen goods can be predicted. The state of world cotton supplies and prices should be noted. Supplies officers holding the higher executive positions should make it a regular habit to study the factual information provided by the financial and commercial columns of *The Times* newspaper and a responsible weekly periodical devoted to economics, trade and industry such as *The Economist*.

The controls imposed by the Government in the import, price and distribution of foodstuffs and certain raw materials and the decontrol of some of these articles since the war, the direct restrictions arising from the rearmament programme, the rationing of certain foodstuffs and the detailed controls exercised in regard to manufactured articles together with the frequent changes and relaxation of controls must all be studied by supplies officers. In the larger authorities the responsibility for oversight, indexing and reference to the various controls may have to be allocated to a section of officers. At one time during the 1939-45 war there were about 23,000 Statutory Instruments containing details of controls (all having the force of law) in some cases running into many pages of small, close-set type. In addition to the Statutory Instruments there were many controls arising from control of imports and exports, priorities for armaments and Government work and agriculture, allocations of materials and labour and Government circulars and directives.

Nor do considerations when to buy rest only on markets at home and abroad. Government action now plays an emphatic part in availability of goods for home consumption owing to the importance of fostering exports. This occurs now whether a Government has leanings to the left or right. In its way the policy of the United States Government in relation to farm produce may have as marked effect on this country as the policy of the Government of the U.S.S.R. in relation to timber. A change of Government or Government policy may have a direct bearing

on the timing of buying in this country. We are so dependent on other countries for imports as well as exports. It is not, of course, suggested that a supplies officer can or should regulate the forward contracts for supplies of the larger items by a kind of sensitive feeling of the pulse of world economics. Such a thing would be fanciful, unrealistic. But it is suggested that part of his responsibility is to read and study world trends, to keep the large background to his operations fresh and up-to-date, and just as a good general medical practitioner keeps his specialist education up-to-date by making himself aware of the developments of medical science and medical practice everywhere, so the supplies officer should do likewise in the sphere of world production, distribution, prices, controls, the policies of Governments in these matters and any political tendencies likely to have a bearing on these things.

Closely related to the problem when to buy is the question whether a supplies officer is justified in buying in excess of normal quantities because all signs indicate a rise in prices. This is a matter on which opinions amongst experienced supplies officers are often divergent. In the view of the writer careful and precise thinking is called for. First, it is suggested that in no circumstances is a supplies officer justified in speculating or gambling with public money. Because rises in prices are merely predicted by writers on market affairs, no matter how experienced, is not enough. Supplies officers must remind themselves that predictions of this kind may (and often do) contribute to the rise. If I say the price of eggs is going to rise and you and ten others immediately start buying eggs the price will tend to rise even if no other factor is present. If fifty others also start buying the price will certainly rise. And if two hundred others start buying the rise in price, quite artificial, may well be substantial. This sometimes occurs in the stock market—perhaps not so much now as in the past—but it still does happen. The prediction may be based merely on a rumour or gossip. A whisper goes round that the Jones Corporation is going to take over the business of Smith. Up go the price of shares in Smith. And when in fact two or three similar trans-

sactions have taken place to the advantage of the shareholders in the company taken over, a rumour unsupported by any external evidence whatever is sufficient to sky the shares of a company affected.

Whilst a private person is free to gamble with his own money it would be totally unjustifiable for an agent of a public authority to gamble similarly with public money in such a case. It is maintained that to buy goods beyond normal needs or out of normal season on a prediction of price levels alone is in fact speculation.

But, a supplies officer may ask, suppose the prediction is based on evidence, suppose it is not really a prediction but a forecast carefully arrived at by weighing available evidence? What is the point of studying market prices, world trends, economic forces, if practical application cannot be made from a knowledge of these things? The answer is that certainly the knowledge should be applied where it has a bearing on when to buy so long as (1) it is realized that the mere act of buying tends to support and even increase prices and that similarly holding off tends to lower prices, and (2) that quantities in excess of normal needs should in no circumstances (other than in a national emergency or expectation of one when presumably the public services will be given a lead from Cabinet authority) be bought. In that direction lies foolishness. A hundred people buy and because the signs indicate a shortage and a rise in prices they overstock their inventories. By reason of the fact that they are overstocked they hold off fresh buying for a longer than usual period. As a result prices fall and the buyers are left holding overstocked inventories generally at prices in excess of those in the current market. Some years ago in a public authority the external auditor disclosed that in an excess of zeal an officer had bought forward on a speculation that prices would rise and stocked his inventories for years ahead. The irony was that in a comparatively short time after he bought the bottom dropped out of the market. That was gambling and rightly condemned severely by the auditor. Stockpiling may be necessary for national security. For ordinary business needs it is

a gamble—never more than in the times we live in when the 'normal' is abnormal. Supplies officers cannot be too often reminded (1) that money locked up in stocks is money spent, (2) it is money earning no interest, (3) long stocks inevitably deteriorate, (4) requirements, fashions, patterns, policies change, (5) stocks have to be watched, cared for, checked, and all this costs money.

There is no lack of instances in commerce and industry where even large concerns have got into great difficulties and sometimes have been forced into reconstruction or liquidation or amalgamation and it has emerged that a serious part of the mismanagement has been in the overstocking of inventories. Mention has already been made how this can arise through the authorizing of 'sub-stores' under departmental control outside the supplies officer's responsibility and supervision. But in the central or other stores of the supplies department itself care has to be exercised that overstocking does not occur. Minimum and maximum limits should be fixed, frequently reviewed and adhered to. The aim always should be to maintain the minimum stock levels consistent with the outward flow of stores where and when needed. It is recognized that stocks of some stores have to be kept as an 'insurance' that they are immediately available when required but otherwise the economic test should be applied, namely, does this stock pay for its storage and handling or would it be cheaper to arrange for a running contract with the manufacturer at a lower discount? By the latter means the manufacturer has to hold the stocks. One of the largest mail order concerns in the world has long adhered to the policy that, unless unavoidable, stocks at headquarters are not kept and the firm's contracts with manufacturers stipulate that a certain minimum stock shall be held by the latter at any time. Naturally only very large buyers are able to command terms like that.

It is seen that when to buy is very much bound up with the stock position and in turn the stock position is conditioned by storage facilities. So often, especially in this country, great waste is occasioned through unsuitable storage accommodation. When

warehousemen were paid eighteen shillings and worked seventy hours a week employers might feel that handling charges were comparatively unimportant. There was a plentiful flow of labour available, too, men could be hired and fired without any problem of replacement. Thus, so often, any old building would serve as a warehouse, shape, light, levels, accessibility were either unplanned or badly planned. To-day far too many warehouses administered by public authorities (and private firms, too) are extravagant in operation through lack of planning in the past and the cost of adaptation at present prices. But however that may be, buying should not be conditioned by extent or suitability of premises either by time or quantity, and if premises are unsuitable supplies officers will have to press against all opposition for a remedy.

We now come to the problem where to buy. Broadly, the answer is that wherever the quantities are large, buying should be as close to the source as possible. With fabricated goods, buying should, if possible, be direct from the manufacturers. This procedure, naturally, is not popular with the various associations that have been formed to protect wholesalers, agents and other middlemen who claim, with justice in many cases (but not all) that although they are not producers they render a service which is of benefit to the community. Some of these associations say, reasonably enough, that their members act as a clearing house for orders, that very often they are stockists thus ensuring the customer immediate delivery, that they prevent unfair competition, undercutting of prices, and that they often shoulder the burden of slow-paying customers and of bad debts.

There is yet another level of associations of merchants with views on the purchases of public authorities, namely those representing the interests of retailers. The author has been seriously told by a representative of a retailers' association that a public authority whose expenditure on supplies ran into several million pounds a year 'ought' to make its purchases through retail sources 'like anyone else' especially as it 'was spending public money.' To do otherwise was 'unfair.' The speaker was good enough to

add that in view of the large quantities purchased the retailers would be prepared to allow a 'fair' discount.

And finally there are the influences exerted by various bodies as well as individuals to restrict spending as far as possible to 'local' firms. In Chapter I, I quoted an official report of 1836 to show that this chorus was being chanted then. It is still being chanted to-day. A short while ago a supplies officer in the National Health Service confided in me that very strong pressure was exerted on him by certain members of his committee to place as many orders locally as possible 'in the public interest.' More recently the retailers of Devon have made a similar protest against the County Supplies Department. Newspapermen, it is said, become sardonic in the practice of their profession; public supplies officers must follow them close.

It can be stated with a good deal of authority that when transactions are carried out in an honest, businesslike and reasonable way by a public authority, manufacturers are not only willing but prefer to supply direct. Associations of middlemen have the interest of their members as their objective, and although it is true that manufacturers and customers may receive a service it would be surprising if the association gave priority to their interests over the interests of its members.

There are some associations representing both manufacturers and distributors. Where this happens the manufacturer generally has to give an undertaking that he will only supply in accordance with the terms agreed by the association as a whole. Sometimes curious results take place. The author is aware of one case where a public authority needed a manufactured article that was made by only one firm. Knowing that the firm belonged to an association of both manufacturers and agents, inquiries were sent to about a dozen firms (including the manufacturers) inviting quotations for supply and including the usual question as to the discounts, if any, that would be allowed. As the association had a rule that the only discounts that members were allowed to give were the usual (fixed) percentages for settlement within a specified period, the manufacturers honoured their obligations to the association and

only offered the usual discount for monthly settlement. But one or two of the agents offered additional discounts and one of these quotations, being the best, was accepted. Thus the manufacturer had to supply his own product through a brother member of the association to whom he had to allow a discount and who had undercut him.

Once when the author recounted this incident a business man remarked that he thought it was very wrong that a public authority should accept a quotation in such circumstances although he admitted that the rules of the association for its members were secret. (Members of the association pledged themselves to secrecy.) The ethics in transactions such as this require examination and calm discussion, and it is proposed to deal with this and a number of other situations in Chapter Eight.

In considering where to buy, the question how to buy is very relevant. The traditional way of buying by public bodies is to advertise in the press for tenders, i.e. by open, unlimited competition and by the acceptance of the lowest offer. The advertisement was accustomed to say that forms of tender could be obtained on application, and the forms contained a specification and approximately the quantities required over a given period, say twelve months, together with other contractual conditions, and directions how the tender was to be submitted, usually in a sealed cover to arrive not later than a stated time on a stated date. Basically, it is upon the underlying principles of the above practice that most supplies are purchased by public bodies to-day, not only in this country but all over the western world.

It is necessary to guard against over-simplification. The term 'open competition' has a nice, healthy sound. But there are honest firms, some not so honest, and some that are crooked. What about the quality of the materials if the goods are manufactured, the factory conditions if they are fabricated, the cleanliness if they are foodstuffs, the standard of wages paid to the workpeople, the service after purchase, the country of origin of the raw materials? And many other important considerations? Short weight on delivery, substitution of quantities of inferior products,

high percentage of defective articles, concealed faults, incapacity to fulfil contracts, shortage of working capital causing unwonted delays, attempts to influence officers entrusted with duties of checking deliveries? And so on. Human nature is frail. It is sad to catalogue these details. It is much more popular to catalogue the defects of public officials. But these things have existed for a long, long time and exist to-day. And probably will to-morrow, too.

“Povey and Sir W. Batten and I by water to Woolwich, and there saw an experiment made of Sir R. Fordes’ Hollands yarne, about which we have lately had so much stir; and I have much concerned myself for our ropemaker, Mr. Hughes, who represented it so bad and we found it to be very bad, and broke sooner than upon a fair triall, five threads of that against four of Rega yarne; and also that some of it had old stiffe that had been tarred, covered over with new hempe, which is such a cheat as hath not been heard of. I was glad of this discovery because I would not have the King’s workmen discouraged (as Sir W. Batten do most basely do) from representing the faults of merchants’ goods when there is any.”

Who wrote those words? Samuel Pepys, when he was Clerk of the King’s Ships and Secretary of the Navy Board, in his diary of June 4, 1661.

The theory of the advantages of throwing tenders for public supplies open to unlimited competition is very nearly exhausted now. For many years some of the more enlightened local authorities protested to the Local Government Board against rules of the board which insisted on it being done.

A committee of the late Metropolitan Asylums Board reported in 1908:

It will be recollected that one of the recommendations of the committee of 1895 was that the Local Government Board should be asked to remove the restrictions referred to. (Amongst others against the Board having the power to buy to a greater extent

in the open market.) Application was made accordingly, but was not acceded to.

For the historical record, it may be stated it took the World War of 1914-1918 to blow away the old Orders of the Local Government Board most of which were designed for conditions which had long since changed.

Whilst the practice of inviting open, unlimited competition has little to commend it, the keeping alive of competition is of great importance. Real competition amongst business firms is rapidly disappearing despite the lip service paid to it by politicians and company directors. This is very noticeable in the United States. It is not, of course, to be denied, that in certain fields a fierce competitive warfare may be carried on by a couple of formidable business adversaries. Sometimes this warfare seems almost too good to be true. But generally speaking the practice of price fixing has spread so widely, and continues to spread that the field of competition tends to grow smaller every year. I am aware of the arguments in favour of price fixing. My sole comment is that if you are going to eliminate competition, for reasoned considerations, do not pretend (a) that it exists and (b) that it is virtuous. It may be contended that many things do not lend themselves to price fixing. There are many greengrocers in opposition in my district and from Mondays to Thursdays goods are marked at differing prices. But the prices of all are marked up on Fridays and Saturdays when three- to four-fifths of the business is done.

The London County Council's Supplies Department had a system which was in force before the 1939-45 World War whereby they advertised regularly that firms desiring to compete for the Council's business should make an application to be placed on an approved list of tenderers. One of the conditions of going on the list was that facilities should be given to the Council's representatives to inspect the factory where the goods were fabricated or prepared. When tenders were invited a number of the firms in rotation, say twelve or twenty (including the successful

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tenderer on the previous occasion) were asked to quote in competition. The system worked well. But it should be noted that the Council, by standing order, reserved to itself the power to accept the lowest *satisfactory* tender. This is an important qualification and requires a closer examination which will be given in a later chapter. For a public authority to bind itself blindly by rule or custom to accept the lowest tender is to disregard the realities. Experience of reliability, standards and after-sale service is not lightly to be thrown away.

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When we classify the aspects of buying under short, embracing headings such as those mentioned in Chapter Two there is always an overlap. No definitions can be sharp. There is overlapping territory between what to buy and when to buy and there is overlapping territory between when to buy and where to buy. As was seen in the concluding paragraphs of the last chapter the question where to buy is closely tied up with how to buy. In the public services procedure is very much regulated. Tradition plays its part; in some cases the statutes lay down conditions; the overseeing Ministries issue directions; in the case of local authorities, district auditors exercise an influence; and Parliament itself may interest itself in the procedure.

The tendency therefore without and within is in the direction of formalizing and regulating procedure and restricting individual freedom on the part of supplies officers. There is nothing unreasonable in this because it is public money which is involved. There is a fundamental difference between private enterprise and public ownership resting on this basic fact which is bound to reflect itself in procedure. The initiative and resource of supplies officers are called for within the rules, though that does not imply that they should fail to struggle to get foolish or ineffective rules changed.

In answering the question how much to buy it is necessary to reflect. As has been said in Chapter Two a supplies officer should in normal circumstances only buy sufficient to meet estimated normal requirements. But if there is adequate storage, how forward should the buying be? Should a purchase be made to cover twelve months' consumption, six months', three months'?

Let us first consider the simple case of an article where the price

is likely to remain stable for say twelve months (if any such article exists) and let us assume that the department has sufficient storage accommodation. On the one hand a more favourable price might be secured by buying the larger quantity (but not necessarily—for the very assumption that this is a case where the price is likely to remain stable implies that the manufacturer may expect to sell his product during the period without fall in price). If a single delivery is asked for, transport and handling charges are simplified. Paper work is kept to a minimum. The supply position of that particular item is insured for a year. On the other hand, money is locked up in stock and strictly a reasonable interest on the money should be costed against the price in considering frequency of purchase. Goods are always liable to deteriorate in store. Losses through pilfering may occur (and breakage, if the article is breakable). Work will have to be done on stock checking. The cost of warehouse space occupied should be apportioned against the item—at any rate, whether this is done against individual items or against a group (such as food or textiles) there is no escaping the incidence of an on-cost due to warehouse expenses and the bigger the warehouse the bigger the on-cost. (Again, the bigger the warehouse, the bigger the warehouse staff.)

The hard truth is that the only test a supplies officer should apply is the economic test, always provided that the flow of supplies needed can be ensured.

But human nature is human nature. It is all very well for writers and public speakers and people without executive responsibilities to accuse those holding such responsibilities of 'playing safe,' of timidity, of lack of boldness. But where there is responsibility there is always a tendency to have a bit in hand as against emergencies or the unforeseen. To have, in other words, a margin amounting to a reserve. Another word for this is prudence. You know, for example, from experience that the annual consumption of an article lies between two limits, an upper and a lower. You know the rate of flow of consumption. You maintain stock in store at a certain level. You control your stock by fixing minimum

and maximum limits. You re-order when the stock falls to a calculated level. But, inevitably, the stock level will be set a little higher than justified by strict economic test. You feel you must insure against unknown contingencies. There may be a strike anywhere along the line—abroad where some of the raw material is shipped, in shipping, in the docks, in transport, in the factory, indeed at any point in the process of manufacture or distribution. Or there may be a fire or some other serious occurrence. So prudently you set sights a little high.

Of course the tendency to be watched and guarded against in a large organization is that at every level in the administration, executive officers are each adding a little for insurance so that the cumulative effect is swollen out of proportion to the risk. It is the old story of the General's inspection of troops being ordered for 12 noon and because every officer and non-commissioned officer responsible for getting the men on parade adds a quarter of an hour to be on the safe side the unfortunate troops have to fall in at 9 a.m. or even earlier. So, I suggest, it is important that a supplies officer shall from time to time satisfy himself by personal examination that stock levels are reasonable.

If the organization is very large he will have to do this by sample tests, and if this method is adopted it should be done on a sound statistical basis and not at random.

Some years ago Mr. H. S. Sadler, who has already been quoted, wrote:

... reduction in stocks and the reduced cost of handling are items that by all means should be given close attention, for of the several things to be accomplished by the stores department, these are two of the most important. But regardless of their importance they must take second place to the all-important item of maintaining supplies. Any saving that is bought at the price of reduced service is questionable and the supply department must make sure that its service comes first. As the first duty of a stores department is to be able to supply the reasonable demands of other departments for material, it should by all means make sure

that this part of the work is given first attention. When this has been done it can then devote its efforts to reduction of stocks and any other desirable items in connection with stores work.

These are very wise words, applicable of course generally to supplies officers and stores departments in industry as well as in the public service. But as the greater part of the duties of the public services consists literally of providing a service, in many cases a continuous service, which has to go on without interruption seven days a week, fifty-two weeks a year, the point has special significance.

Mr. Sadler goes on:

There is a desire on the part of the officers of all departments to make good, and the men in the stores department have this ambition as much or even more than the men in the other departments, and it is exceedingly difficult to make a real showing by building up or maintaining an adequate stock, for as it is impossible to show in pounds, shillings and pence the savings or benefits to other departments that is obtained by having sufficient supplies on hand, it is quite likely that the stores man will turn to those lines of work where he can make a showing and where a saving can be definitely shown.

The chief purpose of an organized stores department is to keep investment in stores and materials within the limits of necessity and not, as many are accustomed to think, unquestionably to satisfy every demand of those who use the material, regardless of expense, because sometimes these demands are excessive and unreasonable. It is not reasonable, for instance, to insist on the delivery of all the requisite material before starting on work that will occupy several months, and it is excessive to order, for any reason, more than the work will actually require, yet both of these things occasionally happen. . . . The stores department working on the right principles is a weapon of economy of unlimited power. Not only does it enable the release of large amounts of capital from unproductive employment, but it reduces

the unprofitable expense of handling and caring for the material.

It is undeniably true in some branches of the public service that high officers (and committees too) responsible for an important branch of administration have little conscience in the spending of public money. Very often these officers are men of great capacity in their professional work and often of great strength of character. A few years ago, one such said to the author, speaking quite seriously, "I regard my duty to be to provide the very best service that is possible. I am not concerned with finance —that is a matter for finance committees and accountants. Financial policy is no concern of mine—I am out for the best and propose to spend all the money they will give me, to secure the best."

Possibly there is an argument to support such a line. On the basis that officers are chosen to administer specialized services and are balanced accordingly, the heads of the other branches might argue that economy is taken care of by the heads of the Finance and Supplies Departments. The weakness, however, of the argument is that it implies departments acting in independence instead of in co-operation. If the Finance and Supplies Departments are expected to know and understand the needs and the difficulties of the professional departments (and they are), surely it is not unreasonable to expect the professional departments to know and understand the need for economy and the means which can be taken to secure it without diminution, but rather an increase in the efficiency of the professional sections?

Apart from academic arguments, can any responsible, reflecting person, in a country where public expenditure is now so vast and where the literal survival of the nation in peace rests on competitive overseas trade, for one instant afford not to have a conscience about the use of public money? There is no question whatever, and every experienced public supplies officer knows this, that there is a degree of avoidable waste in public departments which could be eliminated not with loss but with gain in

efficiency. And as so often is true in human affairs, in many instances the actions contributory to the waste are motivated by the best of intentions and in good faith.

It would appear to be appropriate at this point to remind supplies officers that there is one form of waste in their own stores to be watched and guarded against. This takes the form of swollen or dead stocks, that is to say, stocks held where the demand by the consuming departments has either ceased or become reduced through a change in policy. Where policy is changed, unless there is a weighty reason to the contrary, stocks should be used up before the new policy is introduced. The articles affected may be, for example, items of apparatus, uniforms, cloth material, fittings, furniture. Departments have a habit of coming to a decision and introducing a change without regard to stocks held in store. Supplies officers must be firm about this. There is often unnecessary waste for which there is no excuse caused by the desire to introduce a change immediately. The urgency is artificial. An article in *Supplies* in March 1952, entitled 'Taking Stock' by *Sardonyx* deals in detail with important aspects of this subject. It is a curious reflection on human nature that the mere fact of having storage space creates a desire to fill it. Everyone is familiar with the desire to acquire books to fill up bookshelves that are only partly filled. Another psychological trait that is apt to play its part in this matter is the hoarding instinct—the impulse to hang on to stocks that have become dead, because there is no longer consumer demand, 'in case' something may happen to require them. So many of us tend to hoard without reflection articles for which we have no further use in our private lives that we tend to do the same thing in official lives. It is a matter of fact in the experience of the author that often quite strong resistance is shown by officers in immediate charge of stores to the clearing out of dead stocks notwithstanding the fact that they can have no real interest in the retention of the stocks and indeed the move may actually simplify their work.

We have discussed in Chapter Two the importance of all stocks being under the control of the supplies officer. The observations

in the preceding paragraphs concerning 'dead' items of stock or stocks which are inflated because of diminution of rates of consumption take on added emphasis where departments or sections are under departmental control outside that of the supplies officer. There, it can almost be said, an incentive exists to maintain swollen stocks in order to inflate the responsibility of the officers in charge. The technical position is that the stores have been 'issued' by the Supplies Department and thus charged out. The cost has been allocated against the amount provided in the estimates. It is well known to experienced accounting and supplies officers that in many official departments expenditure approved in the estimates is spent up to the hilt. Some officers will say with unintentional cynicism 'if we do not spend what is provided in the approved estimates the amount will be cut down next year.' I have known of occasions when, it having been ascertained in about January that there is a margin unspent in the maintenance estimates for a year ending on March 31st, the department concerned has hastily looked round for something to spend the money on, and officers invited to bring forward suggestions. This attitude undeniably exposes, in the opinion of the author, an absence of financial conscience, and some, if not all, avoidable waste. Similarly where stocks are departmentally held there is an absence of urge to eliminate unwanted stocks because it is argued 'if we do our estimates may be cut and this produced as an argument in favour of cuts.'

It may be argued, and often is, that the incentives against economy in stocks are as strong in supplies as in other departments. But one of the basic reasons for the creation of and existence of a Supplies Department is economy. In adhering to the test of economy a supplies officer and his immediate lieutenants have, as has been shown, to exercise a constant vigilance within as well as without the department.

The solution to the problem how much to pay would at first sight appear to be broadly simple. In fact it is anything but simple. In the early days of public supplies, as has been shown, unlimited competition in tendering was invited. (For the moment, I am

dealing with general supplies. I will deal with special items and with contracted services later.) When the tenders were in, the lowest was accepted. It was apparently as simple as that. But quite early on manifest disadvantages were revealed. Not all goods lent themselves to purchase by a system of tendering. Not all firms, including many of the best, were willing to submit tenders. In some cases, for example, coal, the cost and method of transport was almost as important a factor in the price structure at points of delivery as the cost of the article at the pithead. Again, tea, coffee, fruit and vegetables, and a number of other items could be purchased in the open market to far greater advantage than on a contractual basis. Fish was always a difficult item to purchase by contract in view of the practice and custom of the fish trade and the sale of catches at the ports of landing. Milk for many years presented difficulties in supply. Many items were bought as material and made up, often by contract, such as flour for bread, cloth for uniforms, paper for exercise and accounting books and for articles of stationery such as printed forms. In the local authorities many supplies to hospitals, homes, institutions and other residential establishments were constituent materials needed for the traditional practice whereby each establishment was self-dependent in many ways. (Based on the use of unpaid labour provided by patients, inmates and children.) There was a bakery, beer was brewed, uniforms were made up, boots and shoes were repaired, laundrywork was done, fruit and vegetables were grown—all on the premises. The practice of supplying beer as part of rations survived in the form of a cash allowance known as 'beer money' until quite recent times and there are bakeries, laundries and kitchen gardens at many establishments to-day. At some mental hospitals quite large farms, often with valuable herds of cattle and workshops and printing presses are retained both for their value therapeutically and for reasons of economy. Undoubtedly, many of these activities were originally introduced because of the availability of unpaid labour, but it is a mistake to be cynical about this because, as officers of experience are aware, the presence of large numbers of persons in one institution

with little or nothing to occupy them produces effects grim to anyone of sensitivity and imagination.

Even with items for which tenders were invited and for which there was a fairly detailed specification, the question of quality was always a difficult one. With some items, samples were required to be submitted with the tender as they are to this day, and these samples were 'sealed' and became part of the contract where tenders were accepted. But with many perishable articles such as meat, butter, bacon, eggs, words like 'best quality,' 'English killed,' were open to a good deal of ambiguity in interpretation—in practice a great deal depended on the skill, experience, courage and integrity of the officers charged with inspecting supplies on delivery.

An investigation in 1908 by the Metropolitan Asylums Board into butter supplies produced a report which makes interesting reading to-day:

After extensive and careful inquiry among both scientific and practical authorities [a nice touch, that] on the matter, we are satisfied that the best course would be to contract for butter on a technical and chemical specification, prescribing: (a) its purity, soundness and freedom from rancidity; (b) the maximum percentage of water and minimum of fatty matter it shall contain and the lowest Reichert-Wollny number which such fatty matter shall show; and (c) the precise nature and maximum percentage of the preservative, or preservatives, the butter may contain. The specification should also state that the butter shall be well made, of sweet smell, palatable and of good colour. The tender form should require the tenderer to state the country of origin of the butter he proposes to supply, the smallest original package in which he can supply it, and the government mark or other recognized brand thereof; and should provide for the delivery of the butter in original packages so marked, in all cases where the quantity ordered is not less than the smallest original package obtainable. In the case of blended butters the tender form should also require the name of the blender and the situation of his

factory to be stated, and should provide for a right of inspection on behalf of the board of such factory, of the materials used and of the process of blending.

It is patent that before the question how much to pay? can be answered amongst other considerations to be cleared away are (a) what standards of quality are required, (b) what methods of purchase are to be adopted, (c) at what point between source (i.e. factory or port of arrival) are purchases to be made, and (d) whether the goods are to pass through a central store or be delivered direct to the point of consumption?

In deciding on the standards of quality the supplies officer should reach and hold firm opinions on all such household requisites as brooms, brushes, soap, detergents, sundry articles for cleaning, polishing, etc. He has resources either in his own department or by arrangement outside for obtaining analytical reports and for making practical tests. He should aim at a high, durable standard of quality, but he should also be realistic enough to face up to the fact that there is a good deal of pilfering of articles like brushes and that the higher the quality the greater the temptation to pilfer. (On the other hand, cheap brushes are often uneconomical.) He must try to arrive at a reasonable standard bearing in mind these considerations. It is true that some protection against commerce in pilfered articles is secured by branding or marking the goods with names or initials, but it is also unfortunately true that undoubtedly there is commerce in pilfered articles marked or otherwise. Authorities too often labour under the delusion that the initials by which they are known in their own city are familiar to everyone, and this is far from the case for in so many instances the same initials refer to other bodies also often to two or three other bodies; 'LCC' and 'MCC' are good illustrations of this.

In theory the consumer departments would be expected to have definite views of standards of quality for a large range of supplies. Perhaps they have, but like everyone else they usually have to work to a budget. If there is real co-operation, as there

should be, between the supplies and consumer departments, the former can be of the greatest assistance in advising the latter how best to lay out the money available to secure the highest standards of quality where this is necessary and how economies can be made by adopting more utility standards in some cases. Often an article (not a proprietary article) is in free supply that varies by only a trifle from the total specification of what is desired and yet can be purchased at such a usefully lower figure. But it must be conceded that perfectionism is a minor curse in public affairs; decisions are postponed in the urge to reach a perfect solution, money is wasted in attempting to refine refinement. And now even industrial design, which is in itself so admirable, can be allowed to become a cause of the unbalance of a budget. A great deal has been accomplished by the British Standards Institution, but there is still a reluctance in many official quarters to take the fullest advantage of the specifications of the Institution. Broadly, it is not unfair to say that in the past the standards of quality in many of the supplies of public authorities were high, possibly too high in durability and lasting quality.

Sometimes the reasons for an abnormally high standard asked for should be examined. The writer knows of certain cases where textiles of exceptional standards of strength were supplied because of the punishing effect of laundering. A follow-through showed that the laundry was (a) using very hard water, (b) was 'economizing' in soap and detergents, and (c) using old-fashioned machinery which possessed almost wrecking qualities.

Whatever standards of quality are fixed, and however arrived at, there remain considerations that have to be taken into account before reaching a decision how much to pay. Is it necessary before placing an order to find out whether the firm (a) can be relied on to fulfil its engagements to time? In some branches of the public service this is of the greatest importance. Immediately after the 1939-45 war, for instance, when on the one hand certain goods were needed urgently for work such as housing (not only building but for repairs and maintenance too), and on the other hand many firms which had been on war work were partly

disorganized by being in the process of switching over to the production of the articles so urgently required, the question of dependability in supplying goods within the periods promised was an extremely serious matter. A whole chain of operations might well be interrupted through the non-delivery of a comparatively small item. Some public authorities took the course of dividing orders between two or three firms, although it cost more than giving the whole order to one firm, because by keeping two or more sources of supply open there was a greater likelihood of ensuring a continuous flow of supply. Although the situation is much easier at the time of writing, there remains a constant factor which will always be with us, militating against supply at home, namely, the priority that has to be given to exports. There is, too, the huge rearment programme which will cover a period of years ahead, affecting a large number of trades. Ironically, full employment (to which the call-up to the Services contributes a substantial element) places firms in a more vulnerable position in fulfilling their engagements especially if they have a full order book, for a loss of key men and women, not easily replaced, becomes a serious matter.

As to the maintenance of the standard of quality contracted for, much depends on the type of firm, its status in the business world, its experience in manufacturing the kind of goods specified. If the supplies are, say, drugs or foodstuffs, the factory conditions are very much in the picture. However deserving a small firm may be it is not unreasonable for a public authority to require to be completely satisfied about the conditions under which the product is made, before placing an order.

Yet another consideration arises if service or replacements are required after the completion of the supply. Specifications for some goods such as paint used for exterior maintenance may require that the product shall maintain a certain standard for a period, say six months, after use and that failure to satisfy this condition shall require either replacement or a penalty to be exacted. In other cases, sometimes, service or maintenance is required for a period after supply. In all such cases, it is essential

that the firm shall be one which may be expected to be relied on. It is not enough that its financial status is adequate, for what is wanted is not lengthy litigation and the exaction of damages, but the delivery of the goods in kind or the service performed. Again, a whole series of operations may be affected.

An article in *The Cabinet Maker*, a trade journal, written before the 1939-45 war, contained some passages which are relevant to the first cost of some supplies. The following extract is worth recalling:

“The furnishing trade knows of only too many instances in which authorities have shown the worst possible judgement in the placing of contracts with this industry. It would not be right to suggest, however, that the mistake has always been on the side of parsimony. More often than might be expected furnishing contracts are placed at what seem to be extravagant figures, without any assurance of the satisfactory quality of the work. As the federation” (i.e. the Federation of British Industries) “has usefully pointed out, however, too often in the past has the lowest tender been accepted without regard to the fact that the first cost alone does not determine the economic merits of a purchase. In many cases, reliability, efficiency and operating expenses are of even greater importance to ultimate economy of total expenditure. In no field is this more true than in the furnishing and decoration of public buildings.”

The importance of maintenance in considering initial cost cannot well be over-estimated and it is true to say that generalizations in this matter are dangerous. The purpose and function of the article, its frequency in use and the expectation of its serviceable life are some of the determining factors. Then, is it the kind of article that is worth repairing? (For example, the furniture of a committee room.) Is a long serviceable life desired? Is it the type of article which may be regarded in a transition stage in development? Is it an article (such as a piano or a typewriter) requiring regular servicing? Is it completely expendable? Will replacements be needed over a long period in the future? Does the design and appearance play an important part in its use? Is

it a proprietary article? Is it made by only one firm? These and other questions suggest themselves to be answered before a decision is reached as to the relative importance of maintenance in both cost and availability.

A study of the preceding paragraphs prompts certain lines of action. First that unlimited competition is unsuitable for many groups of supplies. Next, that in a number of instances before firms are invited to tender an inspection of factory or premises by the supplies officer or one of his staff is more than desirable, it is advisable. Then some inquiries from one of the reliable agencies which provide this service as to the status of the firm if it is an unknown one should be made. And finally in accepting or recommending the acceptance of a tender, the lowest satisfactory tender should be proposed, showing briefly the reasons why any lower tenders are passed over, such as an unreasonable length of time before supplies can be delivered or inadequate provision, where needed, of guarantees of replacements or any reason where there is evidence (and only where there is evidence) that the tender is not satisfactory in every respect.

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The testing of deliveries of supplies for quantity and quality and the checking of the article against the specification or order, in other words, the ensuring that you receive what you have ordered, is an interesting and important problem of administration. To study it carefully it should be broken down as follows:

- Group 1.—Goods supplied in bulk to the supplies department's warehouse (stock items).
- Group 2.—Goods supplied direct to the consumer departments, generally to the point of actual consumption (direct deliveries).
- Group 3.—Services arranged by contract (e.g. transport, window cleaning, maintenance of scales, weights, weighbridges).
- Group 4.—Goods which have been made up by contract from materials supplied by the public authority (e.g. uniforms).
- Group 5.—Goods which require to be inspected at factory in course of construction (e.g. various machines, furniture of special design).
- Group 6.—Articles which are constructed or repaired in workshops under the direction of the public authority (e.g. furniture, clocks, pianos, motor-cars, tractors).

Goods under Group 1, i.e. stores which are delivered at the warehouses under the direction of the supplies officer, are the simplest to deal with although possibly the greatest in bulk, because the operation is directly under control. Stores are delivered to the Goods Inward section where they can (and should) be

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examined for weight or bulk or volume or quantity forthwith and wherever possible unpacked from big containers or crates and checked. Articles defective or broken or damaged should be noted at once.

There should be no delay in examination for quality and where necessary comparison with the specification. Whether the examination is complete and total must of course depend on the nature and quantity of the consignment. If test sampling takes place it must be done on a methodical basis. Every executive officer in supplies departments should be versed in the principles and practice of elementary statistics. The writer experienced a good deal of surprise on many occasions at finding in official circles administrative officers of quite high rank who were completely ignorant of the very elements of statistics. In the work of supplies on any but the smallest scale the application of statistical method can be invaluable. It is sometimes put forward that hit or miss sampling often produces very successful results and some officers claim that they possess a flair or instinct which guides them to sample a faulty portion of a consignment of goods. The writer has himself put a finger haphazard on a fault on many occasions when the arithmetical odds were heavy against detecting the one fault in, say, fifty perfect pieces. That is amusing and interesting, but as a basis for sampling belongs to the sphere of crystal gazing and not methodical warehousing.

Naturally testing for quality takes many different forms. Taste, touch, smell, measurement; sometimes laboratory analyses; sometimes actual use, e.g. paint, cleaning materials. Close examination by microscope (e.g. textiles) and checking of tensile strength. Sometimes cooking (e.g. some foodstuffs). Heating; cooling; mixing; using. Special tests to discover if the material discolours (e.g. plastic ware) or stands up to mechanical handling (e.g. by an electric dish washer). Often samples have to be broken down to check interior construction or assembly and examine the materials used in concealed parts.

Although reputable firms will replace without argument goods found faulty in use whether the tender form contains any reference

to this or not, it is reasonable that as short a time as possible should elapse between delivery and the reporting of the fault. In these days the percentage of goods damaged or lost during transit is high in spite of vast improvements in packaging. Pilferage in the course of transport is now of serious proportions and the losses run into staggering figures. However, public bodies themselves are hardly in a position to adopt a self-righteous attitude towards this unpleasant aspect of logistics merely because most of the losses in stores and equipment occur either before receipt or after issue from store.

It is often debated amongst supplies officers whether general standards of quality and workmanship are lower than before the late war. The writer has listened to many complaints in the United States of America about the post-war quality of British goods, but it is fair to say that there is also a good deal of grumbling about the post-war quality of American goods. In New Zealand and Australia, too, a similar situation was presented. In trying to be strictly objective in this matter, I would say that Great Britain is producing a far larger proportion of goods of a lower standard of quality than hitherto and certainly a higher proportion of articles sold possess minor faults such as being marked, poorly finished, carelessly assembled, than is satisfactory. This applies to nearly everything assembled on a line from motor-cars to electrical household goods, and also to such goods as ready-made clothing (poorly finished seams, buttonholes, etc.) where the same principles of production obtain. Certainly the necessity for inspection by supplies staffs of quality and workmanship on delivery is stronger than it ever was.

In a supplies department large enough to manage a central store or a group of warehouses the employment of properly qualified staff is a matter of great importance. A proportion of the staff should certainly have had useful experience in trade and industry and should possess amongst other aptitudes that curiosity of mind and professional interest that moves them to keep up to date in trade developments. They should be assisted and encouraged in every way. For example, the leading trade journals

should be subscribed to and systematically passed round on a rota system. The staff should be encouraged to attend talks, such as those organized by the branches of the Institute of Public Supplies Officers and meet opposite numbers not only in other branches of the public service but in commerce and industry as well. Any sign of their tending to become what is conveniently called 'bureaucratic' should be looked for and corrective action taken. A large supplies department will be able to carry on its strength trade specialists for each section where the turnover is big enough to justify their employment, e.g. food, textiles, furniture, printing, and so on. A smaller organization may have to arrange for a consultative service outside the department.

It frequently happens that the equipment handled by a supplies officer includes products of a highly technical nature, such as machines of various kinds, including mechanical transport, electrical goods, equipment for mechanical handling, certain mining equipment, drugs, surgical apparatus, laboratory equipment, scientific instruments and other articles of a specialized character. It is obvious that technical officers of the consumer department or, if there are none, outside consultants should examine supplies of this nature on arrival, in association with an officer on the supplies staff. A certificate of receipt signed by an officer of the consumer department with power to do so should always be required by the supplies officer before handing over the equipment. This is one of the instances where a document is imperative. Usually the inspecting officer of the consumer department will be the one most concerned in the ordering of such equipment in the first place. It is for the representative of the supplies department to see that excess of enthusiasm does not permit his colleague to delay in the discovery of any faults of workmanship.

Goods in Group 2, supplied direct to the consumer department, present an administrative problem not dissimilar to that arising from orders for special or technical items in that some onus for certifying condition on arrival falls on the representative outside the direction of the supplies officer. Quite often, supplies delivered

direct consist of a single piece of equipment, a special order, and the point of delivery may be remote in distance from the headquarters of both the supplies and the consumer departments. Or the orders may refer to articles in more common use distributed direct to a large number of points. For example, a county authority may control 1,000 schools and certain supplies which are either uneconomic or inconvenient to pass through warehouse stock are delivered direct. Examination, counting and generally checking the consignment thus falls on a school officer deputed by the education department and authorized to furnish the supplies officer with a certificate to that effect. Situations similar in principle and differing only in detail may arise in some of the nationalized services, especially those where (as in the National Coal Board) companies existing before the take-over had certain methods all of which have not yet been adapted and assimilated in the new set-up. The public, and even some officers, are apt to overlook the fact that in huge nationalization schemes, changes in administration must not interfere with production and thus are likely to take much longer to bring into effect.

The important consideration in the public interest is that wherever the functions of two departments, sections or branches of a service overlap, the officers from top to bottom do their best to make things work smoothly and avoid friction. By and large this is what happens (oddly enough often there is far more co-operation in the lower than in the higher ranks of the departmental hierarchies). But as has been observed in another connection, the human factor has to be taken into account; friction will occur at some points, particularly where personal antipathies arise, and it is up to heads of sections and departments to deal firmly with such situations and discourage any tendency towards a shooting match developing between the respective departments. This kind of thing is not peculiar to official life, as anyone with experience in commercial and industrial undertakings, especially large ones, well knows. A year ago, whilst in the United States, the writer met a man in a big advertising concern. On asking him if he had to work under great pressure, the reply was: "I'll

say I do. Twenty per cent of my time is taken up in doing my actual work. Of the remaining 80 per cent, half my time is spent trying to push my immediate senior over the cliff and the other half in preventing my immediate junior pushing me over the cliff." Sometimes an unhelpful attitude is allowed to arise between two departments, not on personal grounds but 'on principle.' The officers of one section feel that duties performed by another section should be theirs.

There is only one possible course which any public officer of honour and self-respect can adopt and that is to do everything to make current policy work. If he feels the policy is wrong, by all means try to get it altered, but in the meantime he should exert every effort to make it work; to do otherwise is sabotage. Some other aspects of official conduct are dealt with in a later chapter on professional ethics.

Where direct deliveries are made it is not enough for a supplies officer to rely exclusively on certificates by accepting officers in other departments. Sample tests and checks, carried out by representatives of the supplies officer, should be undertaken on a statistical basis. It is good that contracting firms should be aware that this is the practice.

An irritating but real difficulty in direct deliveries may arise and supplies officers are advised to guard against what may become a pitfall. Sometimes local premises may be inconveniently sited—for example, up a very narrow street in which a heavy lorry cannot turn or even back. Or the inside store may be some distance from the street entrance where the goods have to be off-loaded. Or the levels may be awkward, involving steps or stairs. It frequently occurs that the receiving officer at the time of delivery is alone and, in any case, unable to handle heavy merchandize or goods. The delivery may be flour (where the normal sacks require a good deal of physical strength to handle) or coal, which has to be shot in a bunker. There has been, not without reason, a good deal of resistance during recent years by trade unions to the 'long carry,' and it is not a resistance based on the desire for extra pay but rather on eliminating the 'long

carry' altogether. Ideally, of course, buildings should be planned and constructed so that there is full accessibility for the delivery of stores. Unhappily, although this is often (but not inevitably) the case in the planning of new commercial premises, it is rather woefully neglected in premises under public authorities. The writer has seen architectural plans for new public buildings involving the expenditure of great sums of public money, where the very purpose of the building must involve a regular flow in of supplies, but where the accessibility for delivery of goods and the siting of the stores was as inadequate, or more inadequate, than provided in plans fifty years ago. This kind of thing is not made more acceptable by the excessive use of the jargon word 'functional' in so much planning nowadays.

From the foregoing it is patent that when arranging for the direct delivery of supplies to outlying premises, a survey should be made by a representative of the supplies officer, and it should be established without ambiguity exactly where the goods are to be handed over by the carmen and not only who is authorized to receive them, but the times when such an officer is on duty and how to summon him if his duties involve his presence in the premises outside his office. Cases are not infrequent when a transport carrier or even the firm's own van goes away without delivering the goods because of not being able to find anyone to accept and sign for them.

If the lay-out of the premises involves a 'long carry' from lorry to store, or a carry where steps or stairs or awkward corners are involved, these conditions should be carefully and accurately noted and a file kept in the ordering office of the supplies department. Whenever contracts are made for delivery of heavy or bulky goods it should become routine for the file to be examined. Sometimes a special pack (e.g. 56 lbs. instead of a hundredweight) may have to be arranged. In extreme cases the engagement of a transport firm which undertakes the 'long carry' at slightly higher than usual charges may be necessary. What must be avoided is the making of a contract without the firm's knowledge that a 'long carry' is involved. It must be realized that the solution

may not lie in more money. A trade union official once told the writer that at one of his meetings some of the men pressed that a 'long carry' should not be performed in any circumstances whatever. There is evidence of men having injured themselves through a 'long carry.' There is no doubt, too, that the days of the heavy weights that men used to shoulder are passing. A fork truck shows no reluctance at lifting 280 lb. sacks, but the employment of fork trucks is restricted. Apart from all other considerations, in an age of machines, it does seem a primitive and expensive way of moving dead weights continually by using direct man-power. The mines, the farms, transport are becoming mechanized as indeed is the moving of material in factories; the mechanization of distribution must surely follow.

The next group (No. 3) to be considered in relation to the task of ensuring that what is supplied is what has been specified in the order and that the quality of the job is up to the standard contracted for concerns services arranged by contract. There are many of these and some of them involve the provision of goods so that the contract has to be checked from two aspects, namely, (a) the service itself and (b) the goods provided in the course of the service. In some of the services it is necessary to ensure that certain risks are covered by insurance by the contractor. In others, special provisions arise from the nature of the work. Sometimes the choice of firms available is limited and not always are the firms of financial strength.

The most common of the services required are laundry-work, window-cleaning; maintenance of typewriters and office machines; maintenance and checking of scales and weighing apparatus and of weighbridges; the provision of transport; the maintenance of motor vehicles and of tractors, mowers and machines used in farms and in parks; examining, cleaning and restoring of oil paintings; maintenance and repair of pianos, furniture, carpets and furnishings; funeral arrangements including the provision of coffins; the taking of photographs; the fixing of window blinds; cleaning and maintenance of internal telephone and speaker systems and of radio installations; prevention of

damage and infestation by insects and extermination of rats and vermin; removal of waste and sale or other disposal of scrap material and articles condemned as being unfit for further use; repair of equipment such as kitchen boilers, cookers, refrigerators; maintenance and repair of clocks and time-keeping machines; maintenance and repair of fencing and gates. There are numerous other services of a similar order. Not quite in this category but akin is the making of contracts for the supply of mechanical business machines and tabulators, such as the punched card type of installation, where the firm's method of doing business is to rent but not sell the machines outright. This is, in essence, a service, sometimes providing for human assistance by skilled instructors and even, for periods, operators.

It scarcely needs to be said that although many of their services cover activities that are so often unnoticed or taken for granted, they are not less important on that account, and in the aggregate a great deal of public money is spent annually on them. Supplies officers will pay just as much attention to these contracts as to contracts for goods. Again, the need of survey of the premises and a record of the details necessary for use by an officer drawing up a specification is important. The records must be kept up to date to include changes through extensions and alterations of premises and repair of war damage. In many cases (e.g. window-cleaning contracts) it will be necessary for firms submitting tenders to inspect the premises beforehand and arrangements will have to be made with the departments affected. Where items of supply are included in the service (e.g. coffins) specifications will be necessary. Sometimes it is necessary for goods to be removed to the firm's premises; in such cases, questions of insurance against fire, damage and theft have to be dealt with. In other instances, where work is done on the premises of the public authority, provision has to be made for facilities for the firm's workpeople. Nearly every case of contracts for service presents its own problems and precautions must be taken to see that no important points are overlooked. Difficulties and disputes are much more likely to arise over practical considerations than

over theoretical points of law. At the same time, the legal aspect must not be ignored and supplies officers must be careful that they are not inadvertently assuming on behalf of their authority risks which although not necessarily great are nevertheless substantial.

It must not be overlooked that the checking of the work carried out by many of these services sometimes involves, as in the case of direct supplies, a certificate of satisfactory supply by a representative of the department or section responsible for the premises or the equipment concerned. During the contract, sample tests should be undertaken by the supplies officer's representatives.

Where the service consists of the removal of and payment for groups of goods such as scrap material or equipment condemned as unserviceable, it may be difficult to estimate the weight or the value involved. This form of business is rather tricky. But it is not necessarily negligible and of recent years where material such as lead has been involved not only were various controls in force which had to be studied but also the value might be considerable. Incidentally the theft of lead can itself become a matter of serious concern. Where there is lead scrap, special measures to guard against stealing are necessary.

Arrangements for the taking of photographs, especially where for record purposes this is done on a fairly large scale, sometimes include the supply of negatives although in the opinion of the writer that is unnecessary. It is worthwhile to aim at a good standard of technique and workmanship, and it is suggested that only photographers who have adopted the scales (and the obligations) laid down by the Institute of British Photographers should be invited to tender. It is quite a good plan to form a panel of say eight or ten photographers of this class and distribute the work amongst them. Experience will often show that some photographers, although undertaking general work, are better in a particular form of work, e.g. interiors, exteriors, people at work, etc. Cheap photographic work is a bad investment. As regards the negatives, there is no advantage in possessing these. If the work is commissioned, the copyright belongs to the public authority. Unless specially provided otherwise, the negative

remains the property of the photographer. If a file of prints is kept by the public authority and properly indexed, there will never be any difficulty in obtaining further prints. If the photographer should have the misfortune to lose his negatives by fire or otherwise, it is a simple matter for a new negative to be made by photographing the filed print.

It sometimes happens, where a service is required at premises which are remote or difficult of access and where the profit possible can only be small, that no firm will be willing to undertake the work. Various expedients may have to be tried, such as grouping work so that the small is included in a group with bigger jobs where there is a reasonable margin for profit. In such cases a provision in the contract that the public authority reserves the right to accept all or any of the items should be omitted and for it substituted words to the effect that the tender will be accepted only for the whole of the work. If it is not practicable to group the work it may even be necessary to improvise a local arrangement by direct labour. It is worthwhile for a supplies officer to take some trouble in cases such as these in the interest of the goodwill of his department. It is of course part of his general obligation to provide supplies and services, and even if through peculiar local conditions a particular item is not economic, there is no excuse for avoiding the obligation to supply it as it should be regarded as a small part of a large picture.

The decision whether it is good policy in a large supplies organization to purchase the basic material of certain equipment and then to have it made up into the finished articles must be reached after careful estimating (Group 4). Obviously, the economic test should be applied and, unless there are other considerations, the course followed should be that which is the lower in cost. This conclusion might be considered obvious, but it sometimes happens that where a policy has been followed for years there is a tendency to continue it in spite of the fact that changed conditions have made it uneconomic. A very common illustration of the kind of equipment that lends itself to the purchase of the basic material is uniforms, where these are issued

on a large scale. The supplies officer may find it more economical to buy the material in bulk and subsequently contract for the making up with one of the firms which specialize in this work. Other instances where a similar course is followed by many authorities is stationery. Paper used for account books, exercise books, notepaper and general office purposes is bought in bulk and stored, the subsequent work being undertaken by contract. At one time, nearly every hospital had its workroom where sheets, pillowcases, aprons, teacloths and many other cotton articles were made up. Often uniforms for the female staff were made in the needleroom, together with alterations and repairs to uniforms.

There are one or two practical considerations arising from the contracting for the conversion of material into finished goods. For the period of the work, a quantity of valuable material belonging to the public authority is deposited at the contractor's premises. Questions of damage or loss arise as well as the firm's financial status. Sometimes a firm is required to furnish a banker's guarantee for an amount covering the value of the goods.

Some of the firms undertaking this kind of contract although of a high standard in their probity and their workmanship, have no great financial reserves and since the general restrictions on bank credit some have found it a strain on their resources to give a cash guarantee covering the whole of the material to be used during the period of the contract which may well be six or nine months. In such cases, it is not unreasonable to send the firm the material in three or four consignments, instead of all at once at the beginning of the contract period, and requiring a guarantee in respect of the value of the goods at the firm's premises at any one time.

In a few cases, there may be a double contract, e.g. paper printed and ruled by one firm and bound into books by another. Much depends on the quantities involved. In a very great run, this course might be economical.

In all the articles in this group as in the other groups, the methodical examination for quality must be carried out by

sampling. In no circumstances should a negative policy of letting things go until a complaint is received be followed. It is important, too, that the materials should be examined before dispatch to the contractor because if it, or any of it, is found faulty or damaged or alleged to be by the contractor, evidence of its condition on dispatch might be very important in event of a dispute with either the railway or carriers or both or the firm.

Inspection of goods (Group 5) at the factory during the course of manufacture or assembly or both may be provided in many kinds of contract. Foodstuffs, drugs, machines of various kinds, furniture, special fittings, specialized equipment for hospitals, laboratories and workshops, instruments—all these come readily to mind, containing items where facilities for factory inspection may be required in the contract. With some authorities such as the Crown Agents for the Colonies, or where purchases are made by home public authorities on behalf of dominion public authorities, the goods have to be inspected at the factories because usually the contract provides for the special packing and direct despatch by the firm *ex factory*.

Where the goods are being produced for use in Great Britain, the factory inspection is valuable. Standards of cleanliness, degree of mechanical handling, safeguards against pollution, packaging, testing for faulty specimens all have a bearing on the value of the tender. It may be a determining factor when an equal price is quoted by two tenderers or even where one tender is slightly higher than another. With machines, instruments and equipment of that nature the internal inspection within the factory by the firm's own staff, and the standard and up-to-dateness of the testing equipment should be noted and taken into account. Further, like human beings, factories and firms pass through phases; some progress with steadily rising standards, others decline. It is said that it may take many years to ruin a business which has once reached a state of prosperity and efficiency. That, however, does not alter the fact that where standards are falling, the percentage of faulty workmanship in the articles produced can be the source of a great deal of trouble in the course of a contract. In a large

supplies organization, therefore, provision should be made for periodical inspection and report by trained members of the supplies staff of factories producing goods of the kind where the processes and standards of manufacture are as important as the finished product. In a few instances (machines, for example) variations in the specification may be agreed between the authority and the producer following an inspection of the article at the factory in course of production. Where an entirely new design is involved, a prototype is sometimes produced by arrangement and modifications of the original specification in consequence introduced.

The remaining group (No. 6) of articles includes those which are manufactured or repaired at workshops belonging to the public authority. These workshops may or may not be under the direction of the supplies officer. In the opinion of the writer they definitely should be his responsibility because he is the officer best fitted to undertake it. However, if they are under the direction of another department, inspection for quality and workmanship should be undertaken by the supplies officer exactly as if the work were being done by a private firm. If the work is done under his direction the same principle should apply, but the inspection should be carried out by one of his officers who is serving in a section other than the section responsible for the work.

On no account should standards be passed as satisfactory if they are lower than would have been expected from an outside contractor. And the costing of the work should honestly represent its real cost, including an allowance for administrative overheads. If the cost is higher (as it often is) than outside work, it may still be worthwhile for the work to be done inside the authority because it may be necessary for other reasons to maintain the premises and possibly some of the staff concerned. (For example, the authority may be required by statute to provide a service which is in itself not economic.) The important factor is that a fair economic statement should be presented with no 'cooking' of on-cost or overheads.

SUPPLIES PRACTICE IN PUBLIC AUTHORITIES

In Chapters 1-4 an attempt was made to set out some of the fundamentals of public supplies work and to state some general principles concerning it. Practice in the different branches of the public services obviously must vary according to local conditions as it does in industry and commerce. It would be fruitless to try to compile a book describing each main department of supplies, nor would anything be gained because practice necessarily varies according to the changes which are always occurring through alterations in policy. Further, in many cases the information is not available for publication. Instead, therefore, it is proposed to describe briefly how a number of representative public authorities (or branches of public authorities) deal with the day to day supplies work for which they are responsible. It must be realized that between the time of writing and publication changes may have taken place through administrative adjustments, but such changes do not invalidate the examples which are presented as typical and not as eternal verities. It must not be inferred that there is any special significance in the selection of the examples but rather that an attempt at a cross-section has been made.

THE SUPPLIES DIVISION OF THE MINISTRY OF HEALTH

For a large part of the information contained in the paragraphs under this heading, I am indebted to an article supplied by the public relations officer of the Ministry of Health and published in *Supplies* in December 1951.

The major part of supplies for the hospitals in the National

Health Service is procured, generally by purchase, by group supplies officers or officers performing supplies work under the direction of an administrative officer, such as a group secretary. In brief, supplies work is, in the main, carried out by a group unit. Certain work, however, is performed centrally.

The Supplies Division of the Ministry of Health was set up over five years ago when it was considered that a central supply unit would be necessary in connection with the new National Health Service. It was decided to concentrate in this division all the purchasing and other work in relation to medical supplies previously undertaken by the Ministry of Supply. The directorate of medical supplies of the Ministry of Supply was merged with the emergency medical supplies staff of the Ministry of Health. The division has other responsibilities than central contracting and purchase of medical and domestic supplies for the National Health Service. It has general production responsibility for medical supplies; the duty of purchasing medical supplies required by the fighting services and government departments; and the planning of supply for the civil defence services for which the Ministry of Health is responsible.

It should be noted that the function of purchasing centrally for the National Health Service includes domestic as well as medical stores and equipment. The division claims that central purchasing is only undertaken where (a) the case for economy and standardization is fully made out or (b) there are considered to be other good reasons such as, for example, the need to build up a home industry in the national interest by giving bulk orders; or the need to secure proper distribution and use of scarce and costly articles or substances; or the need to develop and test improved types of equipment. It is of course arguable—and there are strong arguments on both sides—whether in including these 'other good reasons' the making of this extension to a supplies function is sound administration.

Another complication which has arisen (partly, it might be claimed, through a haphazard development of departments as a result of the war) is due to the fact that the Ministry of Health

does not itself undertake all contracting for and purchasing of National Health Service requirements. It is claimed that purchasing by Government departments is substantially rationalized and where any one department has built up the necessary technical staffs and purchasing skill in a particular field, it is usual for other departments to make use of these facilities. Thus the Ministry of Health looks to the Ministry of Works for cleaning materials and hardware and mass-radiography vans and possibly other equipment; to the Post Office for hearing aids and batteries; to the Ministry of Supply for blood transfusion service, uniforms and textiles for civil defence; and to the Ministry of Pensions for artificial limbs, surgical boots and orthopaedic appliances.

The method of purchasing normally adopted is to invite open competitive tenders. Standard conditions of contract agreed by all Government departments and covering all matters of a general nature are applicable to all contracts. These include clauses dealing with inspection, fair wages, arbitration, patents, and so on. The special conditions relating to each contract such as specification, delivery, period, and so on are laid down in the contract schedule which conforms to a common pattern. Contracts placed without competitive tendering are exceptional and require special reasons justifying their placing.

Although the method of inviting competition is described as 'open,' the general practice followed is that similar to a number of large supply departments, namely, that the firms invited to tender must first obtain admission to an approved list. Before a firm is included in the list, its premises are inspected and reported on by technical officers and its financial standing is investigated. Contracting to meet the needs of hospitals, however, cannot always be restricted to firms on the approved lists and sometimes advertisements are placed in the Press inviting tenders, but before a tender is accepted from a firm not in the list its premises are inspected.

The supplies division acknowledges the importance of standardization and pays a good deal of attention to this. It is represented professionally and technically on all the relevant committees

and sub-committees of the British Standards Institution. In my opinion, the Ministry seem somewhat unduly nervous of charges of attempted 'regimentation,' and are extremely anxious to introduce standardization only by consent which often (especially when dealing with some professional men and women) involves long and rather tedious consultation and 'persuasion.' The truth is that, as was stated in the report quoted in Chapter 2, some heads of establishments are almost fanatical in their resistance to standardization of articles in common use. There is a saying that in certain habits the army 'never changes.' The same might be said of hospitals. It is an over-statement, of course, but the resistance to change in certain things is very powerful indeed.

The machinery for dealing with tenders received is that first they are examined and considered by the executive and technical officers of the supplies division. Where necessary the advice of medical officers or consultants is brought in. Then a recommendation for action is made to the contracts branch of the division. Sometimes it is necessary to have a conference, for example where the purchase involves special equipment and it is thought desirable to place the contract with a particular firm. These cases really do not come within what is generally understood by competition because firms are quoting to different specifications. Some contracts, too, are awarded to organizations such as Remploy, often without competitive tendering, but where this is done the current market price only is paid. It is stated that "the aim of all Government purchasing departments is to buy goods of the right quality at fair and reasonable prices obtained in open competitive tendering and to place fixed quantity contracts at fixed prices for defined periods. Every effort is made, when it is not possible to contract for a fixed quantity of goods, to give contractors an estimate of the volume of goods needed. In appropriate cases, the contracts are placed as maximum prices and the final price (which cannot be greater than the maximum stated in the contract) is determined by negotiation after the contractor's operations have been costed." Few firms would wish to quarrel with that.

Stress is made, and properly made, that Government contracting operations and all information contained in tenders, as well as the prices at which contracts are placed is regarded as absolutely confidential, and that members of the Ministry's staff are prohibited from disclosing any of this information. Similarly, hospital officers to whom contract prices and conditions are notified are expected to disclose only the minimum of information for official purposes and only to people who must know it. Naturally, the wider the dispersal of information, the greater the difficulty of keeping it secret. We know that from experience in the war. By and large, however, it should be acknowledged that there really is a bona fide attempt to restrict the dispersal of information and so long as no leakages occur *before* a tender has been accepted, there is little ground for complaint.

The responsibility of the supplies division in relation to production is defined as follows: it is "a sponsoring function which is undertaken in these days of economic difficulty by many Government departments in respect of particular industries. Broadly, it involves keeping under review the level of industrial production to see that the output keeps pace with home and export demand. A production department not only becomes the channel of communication to industry of Government economic policy but is also responsible for sponsoring new industrial building, allocation of materials, import programming, export promotion and many other duties in relation to industry. Steel, timber and other controlled materials are allocated to manufacturers, and they are assisted in obtaining other materials such as sugar, sulphuric acid, non-ferrous metals, etc. Another important duty is to advise the Board of Trade on individual applications for import licences, and on export licences where exports are subject to licensing control. All these functions necessarily involve somewhat complex inter-departmental relationships, since obviously no department can work in isolation and economic controls must be co-ordinated. The supplies division is, therefore, required to provide departmental representatives for many Government committees, and is closely in touch on the one hand

with current economic policy and, on the other, with the medical supplies industries whose activities the Ministry must sponsor in safeguarding essential health needs."

This is economic planning, but it must be remembered that the article from which the foregoing extract has been made was written in 1951 and published in December of that year. Since then, there has been a change in weather in regard to controls and also since the event of the cease-fire in Korea a great easement in raw materials generally. Much opinion amongst public supplies officers and others will be in the direction of separating planning functions of the order quoted from the ordinary functions of supply, which are purely executive. However, considered as an experiment, this attachment of wide planning responsibility to the supplies division at the Ministry of Health is certainly interesting.

The remaining responsibilities of the division, (a) of purchasing centrally for the fighting services and Government departments, and (b) planning of supply for the civil defence services for which the Ministry is responsible do not call for any special comment as they follow the general pattern. There are, of course, some special problems in the fighting services, such as packaging for tropical use and design of special equipment.

The supplies division carries out normal inspection functions by technical staff with regard to contract purchases and samples are taken for analysis if necessary. Analytical work is generally undertaken by the Government chemist.

Distribution is made by direct deliveries by contractors. The division does not maintain central stores or warehouses but the Ministry of Works, where required, act as storekeepers putting space at the disposal of the Ministry of Health in their stores at Darlington, Salford, Glamorgan, Nottingham, Middlesex, and London. Here certain deliveries are received from contractors and distributed on an agency basis for the supplies division. Special arrangements are necessary for a few scarce and costly drugs such as aureomycin. These are either delivered direct to specified hospitals or one hospital acts as a storekeeper.

The supplies division is made up of five branches. Of these, two are commodity branches, responsible respectively for all the estimating, provisioning, production and distribution of medical and non-medical stores. A third branch is responsible for all tender and contract work, a fourth branch is technical under a chief inspector, providing technical services and inspection. A fifth branch provides common administration services for the others.

During the year 1951 the value of the contracts handled by the supplies division was £7½ million and of this £5,350,000 was for the National Health Service.

THE NATIONAL COAL BOARD

In a paper read by Mr. W. A. Bell, Supplies Controller of the National Coal Board at the National Coal Board Summer School on July 15, 1952 (afterwards published in *Supplies*), a picture is given of the development of the supplies and stores administration since nationalization. Some idea of the tremendous volume of supplies used in this industry is revealed by the expenditure and stock figures. The Board's annual bill for supplies in 1951 was about £117 million and the overall stocks at the end of that year were valued at £62 million. The chief items of supply are mining timber, steel, conveyor belting, explosives, coal face machinery, other plant and equipment and spares. Attention was drawn to the relatively low figure in respect of plant and equipment and it was stated that it was because some plant and equipment does not go through stores accounts (a practice, Mr. Bell commented, which they in supplies deprecated). A comparison was made with the corresponding figures in other nationalized industries. The latest quoted stocks of the British Transport Commission made a total of £70 million; the British Electricity Authority £14 million; and the Gas Industry £31 million.

Before the vesting date under nationalization stocks were controlled at company and pit level and stock control was

exercised largely in terms of finance. Under nationalization stock control is exercised at area, division or headquarters levels according to circumstances. Stocks instead of belonging to individual pits must be regarded as belonging to the industry as a whole, and a function hitherto exercised by stockholding merchants has automatically been taken over by the board. Much more is bought from source, i.e. direct from makers.

When dealing with stocks of such a great aggregate value, stock control, always a very important function, receives special emphasis on account of the large amount of money involved. Always present is the realization of the absolute necessity of insuring that the pits have the supplies at the right time balanced by the knowledge that over-stocking on a scale such as this is a desperately costly business.

The matter of records is important. Since nationalization the area (as opposed to the company) has become the major unit of stock control and the aim is that in the hands of each area manager there should be records of all stocks. Unfortunately, the nomenclature in use in the 1,200-1,400 pits before nationalization was as diverse as the standards, types and variations in equipment, so one of the first tasks, an immense one, has been the compilation of a national vocabulary of stores. There is room, of course, for very great economies to be achieved by a degree of standardization, but this is essentially a gradual process. There are thousands of specifications at present for even the simplest terms, for example 2,300 different specifications for brushes and brooms (a quite insignificant item), 3,000 different oils and greases, 26,000 different nuts and bolts and allied items.

Owing to the bulk of the Coal Board's storage facilities at the pits having been originally laid out in the days before mechanization when it was necessary to cater only for the miner's pick and shovel, for the pit pony, the tub and the oil lamp, the legacy of storehouses was one of limited space and often bad conditions. One of the first needs, therefore, has been to provide adequate and proper housing for stores. And this, of course, raises the question as to the proper location of the different types of equip-

ment. As most of it is heavy, handling costs are a serious item. The picture obtained is a move towards the centralization at area level of plant and spares and such items as conveyor belting and cables, whilst at pit level the bulky stocks of support materials will be held together with limited stocks of fast moving spares.

One of the greatest—perhaps the greatest difficulty that the new administration of an immense industry like coal has to face is that whilst all the reorganization is going on, whilst all the changes are brought into effect, the coal still has to be mined, raised, distributed without cessation. One could picture the envy of, say, the Supplies Controller of the National Coal Board when he reads that General Motors or Ford in America close down their huge factories for five or six months whilst they re-tool them for the production of new models. Then again, when a new undertaking merges a number of smaller ones, there is the human factor to be reckoned with, for example, the man on the spot who resists changes—the more so if his particular pit happened to be a profitable one. (Strange, how in the industrial and commercial world, profit is often confused with efficiency.)

The main problems the supply side of the National Coal Board appear to be facing are the introduction of a considerable degree of standardization; the estimating of (a) consumption of consumable stores and (b) of plant and equipment; the 'phasing' of orders; the scrapping of obsolete equipment; the recruitment and training of efficient supplies staff; the organizing and physical centralization of stores; the building up of a stock record system based on a vocabulary of stores.

Most of these problems are interrelated and interwoven. Meanwhile, with a commodity like coal which has a national economic significance, and an industry which is itself a great user of another national economic commodity, namely, steel, it must be recognized that some time must elapse before the administrative changes which have been begun and are proceeding at different stages and at different rates in the several National Coal Board areas piece themselves together. In the meantime, changes in major policy which may be due to changes in the political colour

of the Government in power, may have an important bearing on administrative action.

SOME LOCAL AUTHORITIES

Kent County Council

The annual report of the Supplies Committee of the Kent County Council, which was published in *Supplies* in the issues of December 1952 and January 1953 reveals that the supplies organization of the county has been in existence for more than twenty years. Since its inception the responsibilities have steadily widened and although by resolution of the County Council the executive committees are permitted but are not required to obtain all, or indeed any, of their requirements through the agency of the supplies organization, in practice a very large part of the purchases is now undertaken through that medium. In addition to the procurement of goods the supplies department which is under the direction of Mr. George Carney, FPSO, the County Supplies Officer, operates the county motor-car pool and various repair and maintenance services.

In the year under review the turnover of supplies handled by the department was £1,428,793 and the administrative cost expressed as a percentage of turnover was 3.72. Goods passing through central stores were to the value of £551,925 and the warehouse handling charge expressed as a percentage of turnover was 5.19. In addition to the goods purchased directly by the supplies department, the department was also responsible for contractual or other arrangements, involving an expenditure in excess of £500,000 in respect of which the consuming departments, as a matter of administrative convenience, ordered the goods directly from the suppliers. The department also operates a printing section in which practically the whole of the council's printing requirements, other than minutes, reports and similar work involving the use of machine type-setting equipment, was produced by the printing section to which is attached a book-binding section. The turnover of the section for the year was

£107,647. Production expenses were 2.30 per cent of turnover and administrative on-cost 2.22 per cent. Another activity of the department consists of the manufacture of furniture such as library fitments, laboratory benches and other special equipment, and the repair of all other furniture. As is general in Supplies Departments of local authorities, a great deal of technical advice is given by officers of the department to other departments for which no charge or cost appears in the accounts.

As has been said, the use of the Supplies Department by the other departments of the Kent County Council is optional. It is therefore very interesting that the district auditor in his report for the year 1949-50 drew the attention of the Council to the desirability revealed by his audit of ensuring that all departments took the fullest advantage of the facilities afforded by the Supplies Department. This resulted in a recommendation being adopted by the County Council calling on all spending committees to co-operate to the full with the Supplies Department in the "purchase, distribution and disposal of goods with which they are respectively concerned."

The Supplies Department is organized into four principal divisions, namely, (a) administrative, which is concerned with matters affecting the acquisition of supplies, tenders, quotations and the like, and with ensuring that supplies are properly delivered as required to the other departments; (b) executive, which deals with receipt, storage and issue of goods from store, packing, and arranging for transport in their delivery, and also for examination of goods for quality; (c) productive, which deals with the printing, manufacturing stationery and bookbinding shops, furniture production and repairs, the timber sawmill, and the making up and fitting of curtaining and floor coverings; (d) maintenance, repair and other services, which deals with maintenance and repair of visual aid equipment, radio receiving and gramophone equipment, heating and other components of kitchen equipment, disposal of salvage and redundant and condemned materials and equipment, operation of the pool of county owned cars, including arrangements for maintenance, repair and replacement.

Kent County Council has been alive to the importance of standardization of quality and design in articles in common general use and the Supplies Department employs specialist staff whose duties include the rendering of assistance to the other departments by giving them information and advice in regard to standardization and other matters.

Purchase of supplies is made as far as possible by obtaining competitive quotations and close attention is paid to the check of goods for quality. Wherever practicable, goods are purchased from source. Further economies have been made by an extension of warehouse accommodation available and thus increasing the number of items bought in bulk.

West Riding County Council

An article describing the County Supplies Department of the West Riding of Yorkshire by Mr. F. P. Wellings, FPSO, the chief officer of supplies, appeared in *Supplies* in the issues of July, August and September 1952. For the year ended March 31, 1952, the turnover of the Supplies Department was £1,800,000 and of this figure £900,000 (half the total) represented the value of goods passing through the department's own central depots, £530,000 was the value of goods delivered direct on the order of the Supplies Department and £275,000 was for fuel (coal, coke and petrol) delivered on direct Supplies order.

Competitive quotations are obtained where practicable for all purchases and the procedure is briefly as follows: there are nine main buying sections each directed by a section officer who is under the supervision of one of four assistant supplies officers. The section officers have the duty of maintaining through their sectional staff a close physical supervision of all stocks in hand, of ensuring a constant stock, between minimum and maximum levels, of all times. Before a purchase is made, an inquiry form containing information which includes a detailed specification of the article and quantity required, the point of delivery and a list of firms which in the opinion of the section officer should be

invited to submit quotations, is submitted by the section officer to his assistant supplies officer for approval and signature whereon the form is passed to the officer-in-charge of the contracts section. The contracts section is an entirely separate unit, completely independent of the buying sections. Competitive quotations are invited from firms who are on an approved list of contractors—a list which has been built up over the past thirty years. The contracts section sends out invitations for quotations, having before it the section officer's recommendations as to the firms to be invited, but in no wise necessarily confining the number of firms to such a list nor, without question, inviting all the firms named. The separate entity of the contracts section is that it is a safeguard amongst other things against the directing of business in any channel for any reason other than one which is objectively businesslike. Sometimes there is a tendency, especially at times of pressure, for business to be pointed in a direction which is least trouble. The contracts section corrects any such tendencies as well as, of course, any harmful tendencies which might arise. The whole of the procedure of sending out invitations, receiving of quotations and subsequent tabulation is handled by the contracts section. The actual opening of the sealed envelopes containing quotations is performed by an officer of the department of the clerk of the County Council. After the decision to accept a quotation (performed by the Supplies Committee or its Tenders Sub-Committee which has powers to take urgent action) the papers are passed back to the appropriate section officer for the action of ordering of the goods to be taken.

The Supplies Department maintains a number of warehouses and goods passing through stock are examined for quality on or shortly after receipt. Goods delivered direct to establishments by contractors are tested for quality by the sample method. The department has on its strength inspectors who in addition to methodical sampling pay special visits to establishments to examine goods where a doubt as to quality is reported by the officer at the delivery point. Where samples are submitted with quotations they are given anonymous labels ('A,' 'B,' 'C,' etc.)

and examined by the inspectors without knowledge as to the identity of the firm submitting.

There is a complete annual stocktaking of all items in store together with an annual valuation and investigation of discrepancies, if any. The annual balancing statement is sub-divided into nine, one for each of the trading sections, each balanced separately. As experience elsewhere also agrees, the section dealing with foodstuffs requires a closer and more detailed physical control than some other sections. Experiments have been made by taking stock quarterly and by testing out stock record systems. It is fully realized by the chief officer that close physical control of stock is of paramount importance. Records, though necessary for other purposes, will throw up discrepancies after they have occurred; what is important is to keep, so far as possible, the number of discrepancies down by preventing their occurrence.

Middlesex County Council

The annual report of the chief supplies officer, Mr. D. M. Beck, ACIS, FPSO, of the Middlesex County Council, for the year ended March 31, 1952, supplemented by two articles in *Supplies* in issues dated April and May 1953, provide an up-to-date picture of the organization of the department in this county. The annual turnover of goods passing through the department's central stores was £233,517 out of a total turnover of £2,250,000, but the apparently low proportion of goods dealt with as stock items is due to the fact that central stores premises were only acquired in 1951 and the necessary works of adaptation not completed until March 1952. So that during the year under report the department was operating with limited warehouse accommodation. The number of establishments served by the department is 1,070.

In addition to general supplies functions the department is responsible for the central transport of the county amounting to over three hundred vehicles, not including the fire and ambulance services. On the staff of the chief supplies officer is a central

transport officer whose duties include the supervision of repair depots and garaging arrangements (one central depot, three sub-depots and a garage); the direction and discipline of motor drivers and other staff; supervision of mileage, petrol issues, etc.; and the purchasing of motor vehicles, tyres, other accessories and materials. There are 107 motor-cars in the central pool, 160 commercial vehicles, 24 coaches, 7 autocycles, and 32 civil defence vehicles.

The department operates a printing section using 'Multilith' equipment, with a turnover during the year 1951-52 of nearly £9,500. It is also responsible for some activities in connection with the social services. For example, acting on behalf of other departments of the Council, the Supplies Department is responsible for supplying bedding to tubercular patients receiving treatment in their homes, and for the maintenance of wireless sets for the blind. It also administers an occupational therapy stores which was originally set up by the health department to supply handicraft materials to tubercular patients and later widened to meet the needs of blind persons and aged people. The turnover of this unit for the year was £6,500.

A matter touched on in the report of the chief supplies officer is that of 'dead' stock. It appears that the Supplies Department had to act as a clearing house for many items which were found to be surplus to requirements in sub-stores (not under the department's control) at establishments. This is yet another instance of the kind of waste that inevitably arises when goods are stored (beyond immediate needs) at many points. Not only is the value of the aggregated stocks higher than if the stores were all under one direction, but in addition 'dead' items always assume a greater proportion. In considering the case for central warehousing under a supplies officer the unseen costing figure which is never referred to is that representing the saving in stocks *not* stored that otherwise inevitably would be stored and the higher percentage of 'dead' and surplus stores which always occurs when sub-stores are allowed under the administration. It is fair to mention in connection with the disposal of surplus stocks in Middlesex that

much of this accumulation occurred during the war years when the policy of 'dispersal' was encouraged on account of bombing. Some of the others, too, followed changes in policy. The fact remains that the existence of surplus stocks was the subject of reports by the district auditor and is yet another case of the saving that might be made if the oversight of all stores were a permanent function of supplies officers.

THE MINISTRY OF SUPPLY AND THE FIGHTING SERVICES

No attempt has been made in this book to describe public supplies work in relation to armaments because the very nature of the work requires special administration and much of the information must necessarily remain secret. But where armaments are in common use by the Navy, Army and Air Force they are bought by the Ministry of Supply. This Ministry also buys other articles for the civilian Government departments, for example, motor vehicles. Many other goods for the fighting services are purchased by those departments already mentioned, e.g. the Post Office buys telegraph and telephone equipment for all three services, the Ministry of Health buys medical supplies and so on. Their exclusive armaments, perishable goods and some other supplies are bought by each of the departments of the fighting services themselves. Unless special circumstances require otherwise, the general principles of buying for public services are adhered to.

The creation of a Ministry of Supplies, charged with the duty of obtaining the requirements of the Government, both civil and military, was first mooted by the Haldane Committee at the end of the 1914-18 war. For years discussions went on in numerous official committees. One of these, the Contracts Co-ordinating Committee, is said to have held its 77th meeting in 1935. Munich seems to have brought things to a head and the present Ministry of Supply was formed in 1939. The future scope of the department, however, appears to be uncertain. Political policy may have a bearing on this. Students are advised to read *Stores Accounting and Provisioning Procedures* published by H.M. Stationery Office.

Chapter Six

SOME REPRESENTATIVE PUBLIC AUTHORITIES

LOCAL AUTHORITIES

The London County Council

Before leaving our review of public authorities it may be worthwhile to take a passing look at one or two more of the County Councils. London is, of course, exceptional, and the special problems which arise in the metropolis received recognition by reason of the passing of the London Government Act, 1939. Supplies in London is carried out at two levels, viz: by the County Council, which has its own centralized and specialized supplies department, and by the 27 borough councils (29 with the cities of London and Westminster) each acting independently.

The supplies department of the London County Council was formed in 1909. As has been mentioned in Chapter One, it was not created until a good deal of resistance from the other departments had been overcome. But the Council accepted the principle of centralized supplies and, except for a provision enabling the chief officers of the other departments to authorize purchases in emergencies and for a certain latitude in local purchasing to a small cash limit, all supplies are procured by and through the Supplies Department. In addition, the department has a number of other special responsibilities such as running a transport section where the repair and maintenance of all the Council's motor vehicles, other than those belonging to the fire brigade, but including those in the ambulance service, and a large amount of the garaging of these vehicles is undertaken.

A statement describing the London County Council's supplies organization was issued by the Council's public relations officer in October 1951, and published in *Supplies* in the issues dated

November and December 1951. Since then, it is understood that there have been some rearrangements in the duties of some of the officers and a reallocation of certain of their responsibilities. This is a process which, if not continuous, is recurring in the public service as well as in private enterprise, and it is largely on account of changes of this nature that the present book attempts to deal with the principles on which specimen public supplies organizations are administered, rather than describing details of administration. Figures, such as figures of turnover, which are quoted, should be read strictly in relation to the dates to which they refer and are only intended to show relative size and not to possess any special significance in themselves.

At the time (1951) of the issue of the Council's statement, the annual turnover of the Supplies Department was about £8 million. Out of some sixty to seventy-five thousand of different items required for the different departments some twenty thousand were kept in stock. The statement observes: "The department tries to hold a sensible balance between perfectionism and miserliness. Obviously it would be wrong as well as foolish to aim at a standard whereby the department could forthwith supply from the shelves of its warehouses any article in any size on demand. Modern business has rejected such a policy as uneconomic. Under present conditions with present-day prices a great departmental store which tried to run on such a policy would not survive. The Supplies Department stocks are kept to minimum not maximum working levels and yearly there is a ruthless clearing of articles where the demand is such that it is not economic to carry stocks. Further, customer departments are constantly pressed, where stocks are carried at their request, to take action which will result in stocks being reduced."

The department's policy in placing its business with contractors is to deal only with firms where the pay and conditions of labour conform to an established standard, and where the factory and production equipment is of a standard appropriate to the contract. Thus, business is placed with firms who are on the department's 'approved lists' (this, it will be recalled, is the practice

with the Government departments—Chapter Five) and to ensure this involves inquiries and inspections of premises by inspectors of the department. As a general rule, in accordance with the established practice of purchase by public authorities, goods are obtained from manufacturers or merchants by inviting competitive tenders or quotations and, although this practice may occasionally be departed from in very exceptional circumstances, it is a very important safeguard for the proper expenditure of public money. It is essential that the processes of purchase are subject to a carefully devised system with provision for the prevention of favouritism or fraud. It is always possible for a time for ingenuity to defeat any system, but one of the great advantages of a centralized system (within a defined, economic, administrative field) is that close inspection and a greater measure of control over the buying processes are easier.

The department's warehouses are employed by grouping appropriate classes of goods together, for example: food; textiles, clothing and uniforms; general stores, furniture and timber; mechanical equipment; stationery and school equipment. There is an accounts section which directs accounting processes and passes all accounts to the comptroller of the council for the issue of cheques in payment; a contracts section which directs processes relating to the invitation, receipt, and tabulation and preparation for decision of tenders and quotations; an establishment and inspections section, which deals on the one hand with staff matters and personnel and on the other with internal and external inspections; and a number of specialist sections, such as that dealing with the maintenance and repair of furniture and furnishings in the council chamber, the conference halls, the committee and members' rooms and the vast number of offices in the three large blocks of buildings which comprise the County Hall.

In very broad terms, the interrelation between the supplies and the other departments may be described as follows: each year the Council has before it for approval a financial budget which contains the estimates of expenditure, capital and maintenance of each department under headings (known as 'votes')

which have been laid down. On the approval of the estimates, each department may spend during the twelve months up to the sum approved within the limits of the heading. Any expenditure beyond the limits may only be made after the express approval of the Finance Committee and any inadvertent excess expenditure has to be reported to the Finance Committee. The departments order their requirements of goods and equipment from the Supplies Department, which charges out the cost of the goods (after adding an on-cost representing the cost of its own services) to the appropriate votes of the department concerned. The accounting processes of the Supplies Department, therefore, include machinery for charging out the cost of goods against specific votes (that is, headings) of the departments. In this matter there is co-operation to ensure that this work is done in a way which will best suit the requirements of everybody concerned—charges are not rendered to all departments in a stereotyped form. For example, to save work in the public health department, charges are rendered not only under individual votes and sub-heads, but for each of the department's nine public health divisions. It has to be remembered, too, that different services of the Council attract different rates of grant in aid.

The illustrations contained in the preceding paragraph are a good example of how closely the processes of supplies work are related to accounting work. It is of the greatest importance, to ensure smooth and efficient administration, that supplies officers and their colleagues in the accounting branches should endeavour to establish a harmonious personal relationship. It is essential that complete candour should exist between the two branches. Mistakes in execution (and in accounting) are inevitable from time to time, deficiencies and losses from theft, too, are bound to occur. If candour persists, these occurrences will at once be brought to the attention of the accounting side, and not only can the two sections in co-operation try to trace the source of the trouble but also improved measures may be invented to prevent recurrence.

Transport (under a transport officer who is a qualified auto-

mobile engineer) forms an important part of the work of the Supplies Department. In addition to one large repair and maintenance depot (which, by the way, performed very valuable work during the late war, not only in civil defence but also as a production unit for all three of the fighting services) there are four quite large satellite depots which are also garages. At the latter, the regular routine servicing is carried out and, in addition, minor repairs. Heavy repairs are done at the central depot. Altogether, over eight hundred motor vehicles belonging to the Council are dealt with, not including a large number of tractors, motor mowers and various other small pieces of motor equipment. The Council's pool of motor-cars is also operated by the Supplies Department.

Supply of goods by the London County Council to other authorities—
Section 195 of the London Government Act, 1939, states:

(1) The county council may purchase and store and supply to an authority any goods or materials required for the discharge of the functions of that authority, and for those purposes the council and any authority may enter into and carry into effect agreements and do all such other acts as may be necessary or convenient.

(2) For the purposes of this section the expression 'authority' means,

(a) a borough council or a joint committee appointed by two or more borough councils;

(b) a body of persons discharging functions relating to education or public health and receiving financial aid from the County Council in relation to those functions;

(c) a body of persons concerned in the promotion of the welfare of blind persons ordinarily resident within the county;

(d) the committee appointed by the county council under section ten of the Old Age Pensions Act, 1936;

(e) the insurance committee appointed for the county under section ninety-one of the National Health Insurance Act, 1936;

(f) the British Postgraduate Medical School.

By the theory of exclusion, action by the Council on behalf of bodies which do not fall within the terms of sub-section (2) would not be lawful without the express consent of the Minister. Some advantage is taken of the provisions of the section, and occasionally metropolitan borough councils have asked for the County Council's services, but generally the borough councils do their own purchasing, notwithstanding the comparatively small volume especially of many items they purchase. The other bodies use the Council's supplies organization to some extent.

It seems appropriate here to mention one of the standing orders of the London County Council (which are published) relating to supplies. This standing order lays down that "in all departments of the Council's service and at all places under its control, personal canvassing for orders or leaving samples of goods by travellers and others shall be strictly prohibited. All communications must be addressed in writing to the Chief Officer of Supplies."

Before the setting up of the National Health Service, there were about seventy-five hospitals under the direction of the London County Council, many of them large, including general, fever, children's, tuberculosis and mental hospitals, establishments for the treatment of mental defectives and other specialized hospitals. Most of these were transferred to the Council in 1930 under the provisions of the Local Government Act, 1929, so that the Supplies Department had nearly twenty years' experience of hospitals supply work on a large scale. On this account, the department, before the outbreak of the 1939-45 war, was asked by H.M. Government to undertake the large-scale purchasing of much of the equipment for the Emergency Medical Service. After war broke out, the Council's Chief Officer of Supplies was lent, at the Government's request, to the Ministry of Supply, where he occupied the position of Director of Contracts. Other officers of the department were seconded to the Government service on account of their experience.

Surrey County Council

The Surrey County Council adopted the idea of a centralized county supplies organization in 1931 on the ground that it "is generally accepted as the most economical method of obtaining the various requirements of large industrial concerns, local authorities and Government departments. It is most successful in a competitive market and is the logical and rational means of obtaining the goods and services required by large organizations, whether private or public." The decision to form a supplies organization followed investigations by a Provisional Committee on Supplies appointed by the Council 'to consider how the supplies of various branches of the service were purchased and distributed.' A Central Purchasing Committee was set up, later to become a standing committee of the Council, charged under the Council's standing orders with the task of co-ordinating the purchase, by contract or otherwise, of the commodities and materials required by the several committees of the Council, with the exception of the specialized requirements of the Highways and Bridges Committee. Particular mention is made of the need for some measure of standardization.

Whereas London, for example, consists of an urban population, highly concentrated in dense areas, Surrey, with half the population of the County of London, is spread over a considerable area. London has many points of delivery and consumption of stores, e.g. schools, clinics, homes for the aged, offices, etc., but they are packed fairly close together, whereas in Surrey, with almost as many, they are spaced over an area six times as large. The problem of the distribution of supplies, therefore, is very different. Surrey has been slow to develop central stores, partly, no doubt, on this account. Whereas London passes about 50 per cent of its stock through stores, in Surrey the figure is, like that of Middlesex, about 10 per cent.

The economical advantages of purchasing for stock with regard to many items are, however, inescapable, particularly when considerations such as the avoidance of carrying stocks larger than

necessary at many points (to which special reference was made in Chapter Three) are taken into account and, as we have seen, Middlesex County Council is extending its central stores. It will be surprising if Surrey fails to do likewise. This is not a matter of sentiment but economics.

Surrey's supplies turnover is approaching £2 million annually. In the main, purchasing is by competitive tender either in response to advertisements in the Press or by invitation to firms on 'approved lists.' Goods are obtained from 'source,' i.e. from manufacturers wherever possible. Where this is not practicable, firms as close to source as possible are dealt with. Much attention is paid to quality control and the department's activities in this matter are backed by the resources of an analytical laboratory which is under the direction of Mr. R. C. Ayton, FPSO, the Chief Supplies Officer. Where goods are delivered direct to consuming points, the sample method of testing is employed together with a prompt follow-up in instances where goods are reported to be below the standard of quality ordered.

The department maintains a printing section, with offset lithographic and photographic equipment. The turnover is about £10,000 annually and is increasing. Another section of the department's work is concerned with the terms of purchase of food and other requirements in the school meals service, involving a turnover of over £500,000 a year.

The total number of points of delivery served by the Supplies Department are distributed over an area of some 450,000 acres and number over 1,500.

Herfordshire County Council

Here is an instance of a local authority which has been slow to adopt a scheme of centralized purchase of supplies. When somewhat timorously, the authority decided in 1941 to venture on a course which had been adopted by public authorities all over the world for nearly half a century, it contrived a scheme which contained so many reservations and so many obstacles to

free working that, if the fundamental principle had not been sound, the plan in operation might have failed to survive. It is, therefore, not without irony that, instead of dying of inanition, the infant has thrived. An interesting account of the development of the scheme has been written by Mr. F. Allen, the former County Purchasing Officer.¹

To begin with, an administrative section was set up in the county education department, under the direction of a purchasing officer, charged with the duties of acquiring from the Ministry of Works canteen equipment in bulk for distribution to school canteens; of purchasing in bulk and distributing to schools such items as could be classed under the broad heading of cleaning materials; of purchasing in bulk foodstuffs (except for rationed food) and distributing it to school canteens; of administering the emergency feeding scheme which was set up to cope with emergencies such as feeding people bombed out of their homes. This was in 1941. In 1945, the small, distributed supplies depots which had been opened were closed down and a central stores organized at Hatfield to which stocks were transferred. Following this, the scope of the items to be dealt with by central purchasing was enlarged. Food was no longer handled, but obtained by contract for direct delivery. At the end of 1945, the tentative beginnings of supplies-owned transport were made. By the end of 1947, the annual turnover of the supplies unit was about £228,000. In 1948, the Council appointed a working party to consider whether the system of central purchasing could be extended to include departments and commodities which were outside the scheme. The working party reported in 1949 in terms which are familiar to anyone who has studied such reports since the beginning of the century. They advised a further extension of the practice of central purchase but shied at making the purchasing officer an officer responsible in his own right; instead they placed him in the education department because that department consumed the greatest volume of goods. In other words, because that department was

¹ "The Growth of Central Purchasing in Hertfordshire," *Supplies*, July, September, October, 1952.

the biggest spender of public money on commodities. Some people might think this an odd reason, but such a course is followed in a way in the Government departments, as has been shown in an earlier chapter. It was, however, laid down that all spending departments should have direct access to the purchasing officer.

In 1950, the Education Committee decided that schools should have freedom to obtain their supplies from whatever source the heads of the schools desired. Thus, they could use the county supplies organization or not as they wished, with the exception of certain items such as cleaning materials and canteen supplies. In a way, this placed the central purchasing officer in competition with private traders but, of course, without the latter's freedom to choose his own standards of doing business. This kind of thing is sometimes supposed by people of limited business experience and even less imagination to keep such a department 'on its toes,' oblivious to the fact that whereas a trader can seek customers anywhere, a supplies department is not a trader: its 'customers' are confined to the consuming departments. Nor, in the opinion of the writer, who is not without some experience over a long period, is a head of a school, who is a good educationist, always the best qualified person to undertake supplies work, even for his (her) own school. In fact, of course, heads of schools under public authorities nowadays tend to be so overburdened with administrative work that only the most resolute can keep a bulldog grip on the main purpose for which they were appointed. However, notwithstanding all the qualifications, reservations and hindrances to free and truly economic functioning, the annual turnover of the county purchasing department steadily grew from £127,000 to £802,000 in 1951-52.

Glamorgan County Council

Descriptions of the problems which have to be overcome under present-day conditions in the setting up of a supplies organization by a local authority are not generally accessible, but readers who are interested are referred to a series of articles in *Supplies* in the

issues of September, October and November 1951, where an informative account by Mr. S. F. L. Tye, BA, FPSO, County Supplies Officer of the Glamorgan County Council, relates the inception of such a unit of administration.

THE METROPOLITAN WATER BOARD

This authority, which came into existence in 1904, taking over a number of water companies whose practice it had been to enter into contracts for supplies, decided as soon as 1908 to set up a stores section in the department of the chief engineer, including the formation of two central stores. The purpose was (a) to standardize as far as possible the stores in use, and (b) to maintain adequate stocks. For some years a number of sub-stores continued and, as is inevitable, stock differences, often considerable, arose. Eventually all stores and sub-stores came under the single direction of the stores officer. In 1921 responsibility for transport in the chief engineer's department was added to supply duties. The section now deals with all matters relating to the purchase (and sale) of all stores and materials, and the arranging of many services in the chief engineer's department, including transport. It manages seven large stores depots which handle some 285,000 items of stock annually, representing a cash turnover of £1 million. With a large number of articles used in technical processes, it was early realized that a vocabulary of stores was essential and, when this had been compiled, an administrative sub-section was set up, whose duties, amongst others, was to supervise the vocabulary and keep it up-to-date.

A description of the work of the stores section of the Metropolitan Water Board by Commander E. B. Blackwell, RN, the stores officer, appeared in *Aquarius* and was reproduced in *Supplies* in the issues dated December 1951 and January 1952.

THE NATIONALIZED GAS INDUSTRY

The reports of the gas boards, under nationalization, for the financial year ended March 31, 1952, showed that the total

turnover for general stores for the year, for the twelve gas boards (including the boards of Scotland and Wales) expressed in cash, amounted to £15,268,767. This does not include meters and appliances, by-products, or coal and gas oil. These items account for an additional £16 million.

In the gas industry, the boards have the power to arrange their own supplies, but the central Gas Council performs a number of functions, one of the most important being the promotion of standardization of engineering equipment and other materials used by the gas industry. It should be mentioned that the Gas Council is a strong supporter of the British Standards Institution and, under the *aegis* of the Institution, much progress is reported in the revised standards for domestic gas appliances. Another function of the Council concerns the arrangements made for them *at the request of the area boards* by which purchases of commodities in common use are aggregated for purposes of discount with the result that all-round savings were secured. This is an interesting point because, in effect, the Gas Council is accomplishing here what the Ministry of Health aim at by the central arrangements they make for certain supplies to hospitals.

From the reports of the gas boards, the general impression gained is that supplies arrangements appear to work smoothly and there appears to be a wider acceptance throughout the administration of the fact that supplies is a specialized economic function whose only purpose is to serve the organization by providing what is needed on the best terms. It is not unfair, in the opinion of the writer, to infer that when some years ago the gas industry perceived a threat to its very existence, namely, the growth of the electricity industry, the leaders of the industry so put their house in order and rationalized their administration that there was no room in the reorganization for anything that could give no satisfactory answer to the economic test; no room for academic administrative experiments; no room for departmental empire-building and power-snatching; no room for frills. As a result, a great part of the industry trimmed off a lot of administrative fat, eliminated waste, introduced measures to avoid waste,

and generally streamlined itself. No doubt a very interesting story could be told of the inner history of the industry during that period. Nevertheless, although many of the larger units in the industry overhauled their administration there must inevitably have remained many units which were not in very good shape at the take-over, especially in regard to such things as premises.

A number of brief extracts from the area boards' report tend to confirm the opinion that the industry is realistic in supplies matters. The East Midlands Gas Board reports: "The policy of contracting in bulk for requirements of materials suitable for purchasing in this matter was continued throughout the year. . . . Contracts covering the requirements in all undertakings were arranged for materials in common use and produced some useful savings. . . . In addition to standard specifications for paint, progress was assisted by the introduction of standard specifications for other materials . . . the arrangements for supplies have thus been simplified and, as a result, reduced prices obtained." The Northern Gas Board report states: "An addition was made to the articles covered by bulk purchase arrangements following on an examination of the use of lubricants at the many works and depots controlled by the board, which indicated the possibility of effecting a fairly substantial saving." The South-Eastern Gas Board reports: "The arrangements for central purchasing continue to provide a satisfactory and economical way of meeting all requirements for goods and services."

In the issues of *Supplies* dated May and July 1953, an account appears of stores control and accounting in the North-Western Gas Board, prepared from a paper recently presented by Mr. P. Knowles and Mr. Robert Kerr, who are respectively the accountant and deputy accountant of the board. It may be stated that their proposals were put into operation. Some of their definitions are so generally true and applicable, and so clearly expressed, that supplies officers would be well-advised to study the account. "It will be appreciated," states the article, "that an efficient system of stores accounting is needed, not only in order to account for the balances which should be on hand at any time,

but also because issues from stores are one of the main sources of expenditure in any organization, and thus part of the basis of all financial accounting and cost accounting. If management is to be kept fully informed, quarterly financial accounts and periodic cost statements are vital. But such figures cannot be accurately and quickly obtained without a first class system of stores accounting. An efficient system of stores control and accounting should thus constitute a corner stone of the whole financial structure."

BRITISH RAILWAYS

The vesting date under nationalization for the four railways of Britain was January 1, 1948, and prior to then each railway had a stores superintendent. General Sir Daril G. Watson, GCB, CBE, MC, a member of the railway executive, has described how the supplies organization under nationalization was planned.¹ He tells how during the 1939-45 war, when many of the most important materials used by the railways were subject to Government control, it was found necessary to have an organization to compile joint estimates of the requirements of all the railways for submission to the appropriate Government departments and for apportioning the allocated quantities among the companies. This was done by the Railway Executive Committee which set up a stores committee comprising the stores superintendents of all the companies to advise on the question of estimates and allocations. When the allocation had been made the stores superintendents of the individual companies proceeded to arrange the actual contracts with supplying firms. The Railway Executive Committee (Stores Committee) remained in being until January 1, 1948, when the newly formed railway executive became responsible for the whole of the British railways.

The stores department of British Railways in addition to the duties of purchasing, storing and distributing an immense variety

¹ *The Stores Department of the Railway Executive.* By General Sir Daril Watson, GCB, CBE, MC. *Modern Transport and Supplies, 1951-1952.*

of items of equipment and materials required for the running of the railways has also the responsibility of handling a large number of components and spares used in the construction, manufacture, maintenance and repair workshops which are operated by the railways. There are also other duties such as taking charge of recovered materials which can be reconditioned, and manufacturing and repairing wagon and cartage covers.

It was the intention following nationalization to develop, where advantageous, bulk purchases for the British railways as a whole; to have common standards and specifications for materials required for British Railways; to reduce stocks held to an economic medium; to standardize the method for the custody and distribution of stores; and to standardize methods of recording and accounting for stock transactions. Temporarily, each region continued its own particular methods of purchasing and store-keeping; these had been built up over the years and there was inevitably much diversity of practice.

It was estimated that approximately 4,000 regional specifications would have to be reviewed in order to establish a complete range of standard specifications. In addition to the review, there were many thousands of differing types and designs of articles in common use, for which no specifications as to quality were provided. The practice had been to purchase these to individual railway patterns. To adopt gradually standard types, standard specifications and designs, and thus facilitate central purchasing it was necessary to compile a vocabulary of stores. To give some idea of the size of the task it is stated that in one regional list of stores alone there were 230,000 items and for the whole some 800,000 items.

The policy of the railway executive was stated to be that central purchasing should be carried out at headquarters, (a) of items previously bought by individual companies to standard specifications, and (b) of items in accordance with the new British Railways standards.

A further development of policy was to be in the re-positioning of the stores depots devoted primarily to the custody and

distribution of station and office stores and materials in common use by all departments. Before nationalization, each region had one or more such depots geographically sited to serve the original railway company, but integration and changes in regional boundaries made it possible for requirements to be met by fewer depots equipped with modern handling devices.

British Railways purchases other than for fuel amount to about £70 million annually and for fuel alone to about £37 million a year. Sales of old materials in 1949 exceeded £5 million. Approximately 90 per cent of steel allocated to the railways is salved and returned as scrap.

Following the publication of General Sir Daril Watson's article from which the substance of the foregoing paragraphs has been extracted, an interesting comment was published in *Supplies*.¹ It is interesting for two reasons. The first is that it illustrates that when centralization is attempted on a very large scale, the resistance to change is correspondingly powerful. It really, by implication, raises the issue whether the nationalized unit in cases such as coal and the railways is itself too large. The second is that nationalized undertakings, notwithstanding all the fine words which were used by politicians about taking them out of politics, are as a matter of sober and somewhat grim fact very much in politics. Since the General Election of 1951 a policy 'from above' of 'decentralization' has had the effect of suddenly and violently reversing a number of administrative engines in both the coal industry and the British Railways. This may be good or it may be bad. But it certainly is the result of the impact of politics and, if this kind of thing is going to happen every time there is a change of government, it is hard to avoid the conclusion that when the nationalized undertaking is an ailing subject like coal or the railways, it is not going to be very good for the patients' chances of recovery unless it is contended that the shock treatment is what the doctor ordered.

In the criticism referred to in the foregoing paragraph, the

¹ *Railway Supplies: Some Lessons of Experience*. By Ex Adverso. *Supplies*, May 1952.

author says: ". . . as each railway had its own system of purchasing, storage, distribution and accounting prior to nationalization, it can readily be seen that any attempt to unify was bound to meet with disapproval, and even a certain amount of antagonism, from the individual regions, until they could be convinced of the value of the new methods. With one or two exceptions, the necessary proof has not been forthcoming. The region with which the writer serves has a stores department which considered itself second to none in pre-nationalization days, and its members view with grave concern measures which are being taken to terminate practices and methods of long standing, which have proved their value without question." This, of course, is the case presented in all mergers when a number of units are compulsorily amalgamated into one. When the unit happens to be a highly efficient one and the general standard of the resulting amalgam is lower than that of the particular efficient unit taken over, feeling may well become bitter and criticism caustic. On the other hand, it rarely happens that all the units merged are highly efficient. Often some of them are the reverse. The essential difficulty is a human one. Personal dignity, pride, resistance to change of any sort, resentment at implied criticism, sloth, even tradition form the base of an emotional rationalization and antagonisms of power result. Neither side finds itself able to be truly objective. It is an oddity of life that by and large human beings prefer to do things the hard way.

THE CROWN AGENTS FOR THE COLONIES, OVERSEA GOVERNMENTS AND ADMINISTRATIONS

The Crown Agents act as commercial and financial agents for Governments of the colonies and other territories for which the Secretary of State is responsible; also with the consent of the Secretary of State for other territories and public bodies, such as Ceylon, Iraq, Jordan, Libya, Malayan Electricity Board, Nigerian Coal Corporation, Gibraltar City Council, Singapore Harbour

Board, and so on. The Crown Agents are appointed by the Secretary of State who also regulates the number and scale of remuneration of their staff. Except for professional and other specialist entrants, staff is recruited from the lists of the Civil Service Commission and the pay and conditions resemble those of the United Kingdom Civil Service. The Crown Agents' staff, however, are not civil servants.

As the Crown Agents' organization is not profit making on the one hand nor subsidized on the other, it derives its revenue by charging approved fees for its services. To simplify accounting, it places an on-cost figure in respect of its operations of purchasing and shipping goods and equipment. (This practice is followed by a number of public authorities, e.g. the L.C.C. Supplies Department.) If at the end of the year there is a surplus of revenue over expenditure the balance is distributed amongst the principals *pro rata*. At present, the on-cost figure is 1½ per cent of value, which is remarkably low especially when consideration is given to the many services, such as inquiry and advisory services, which are given without charge.

The Crown Agents purchase, inspect, ship and insure stores and plant to a very large value each year. In 1952 nearly a hundred thousand orders were dealt with, with an aggregate value of £58 million. These comprised locomotives, rolling stock, bridges, rails, buildings, and all classes of railway material; power and all other electrical plant; vessels and vehicles; machine-tools, earth-moving, road-making and similar plant; textiles, uniforms, headgear, footwear, drugs, chemicals, hospital and laboratory equipment, cement, paint, oil, tar, paper and board, office machines and equipment, books, forms and stationery; stamps, currency notes and coinage.

Amongst their other activities ancillary to supplies work, the Crown Agents act as booksellers and publishers and, as philatelists are aware, as wholesalers of colonial postage stamp issues. They possess and manage four well-equipped drawing offices, a packing warehouse and a laboratory. On the staff are nearly one hundred engineering inspectors, and in the City of London is a branch of

the shipping department with the duty of preserving liaison with shipping companies on special freight problems. Staffs have to be maintained at the works of security printers to control water-marked paper and printing plates for currency notes and postage stamps and to examine stamps after printing.

A very useful service (for which no charge is made) is the booking of sea and air passages for newly appointed or returning officers and their families, amounting to nearly 20,000 bookings a year. Another is the selection of candidates for appointment to a wide range of vacant staff appointments abroad, including police inspectors, foremen of works, accountants, stenographers, radio officers, and officers for railway, marine, health and other services. The number of selections in 1952 was nearly 1,400. The Crown Agents manage funds on behalf of their principals to an aggregate value of over £700 million (in 1953). They float and act as registrars of Colonial Government loans (nine new loans to a total value of £30 million were floated in 1952) and carry out a number of other important financial duties on behalf of their principals.

An interesting clause which appears in the Crown Agents' conditions of contract reminds the tenderer that 'no member of the House of Commons shall be admitted to any share or part of the contract or to any benefit to arise therefrom.' (House of Commons Disqualification Acts of 1782 and 1801.)

UNITED STATES OF AMERICA

The principle of competitive tendering for all the major items of supply is maintained in many of the states and cities of the United States of America, where a Supplies Department or its equivalent (that is, an independent responsibility for the procurement of supplies) has been adopted. Some details of the general procedure are outlined in a publication of H.M. Stationery Office.¹ In New York City, for example, the Department of Purchase makes all purchases for the city under regulations laid

¹ *Sales to Public Authorities in the U.S.A.* H.M. Stationery Office, 1952.

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down by the city's Board of Estimate. Purchases of less than \$2,500 (rather less than £1,000) are made in the open market and the larger purchases by a contract procedure. An interesting feature is that the opening of the sealed bids for contracts takes place in public. Broadly, estimating and the procedure after consideration of and acceptance of successful bids is similar to British practice. Some specimen annual cash turnover figures in respect of purchases are given. New York City amounts to about \$52 million (£18½ million); New York State \$58 million (£21 million); City of Chicago \$12½ million (£4½ million). Following general American practice, the executive head of the Department of Purchase (often designated Commissioner of Purchase) is usually an appointment in the hands of the political party in power and his chief executive assistants may be and frequently are similarly appointed.

Chapter Seven

PUBLIC ACCOUNTABILITY

Public accountability is a subject on which a lengthy book could be written, dealing with principles and practice alone. In view of the enormous spread of public functions during recent years in the development of the Welfare State and the nationalization of huge industries and services, it is a subject of increasing importance. On the establishment of, recognition of and firm adherence to the principles of public accountability depend the health of public administration. If through weakness, expediency, political convenience, fear of public reaction or any similar cause a laxness in the cutting out and the destroying of any canker of wilful misuse of public money or public property is permitted to develop, the damage to public confidence in public institutions might prove disastrous. The public services in Great Britain and Northern Ireland have developed a tradition for clean administration—a little blurred, it is honest to admit, during the 1914–18 and 1939–45 wars. Nevertheless, British standards in public administration still stand high—certainly as high as those of any other nation and higher than many.

The principal instruments for ensuring public accountability are, (a) provision for systematic audit of accounts by either internal check, external check or both, and (b) the instituting of safeguards against fraud and corruption by administrative organization and by the enforcement of the statutes which deal with these offences.

The most explicit and specific statutory directions in public accountability lie in the statutes relating to local government. This is not altogether surprising because in one form or another local government has been entrusted with the executive side of public administration longer than any other public authorities

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outside the Government departments themselves. Certainly as far back as the Poor Law Relief Act of 1601 the principle of public accountability was recognized in the requirement that "churchwardens and overseers of the poor should, within four days after their year of office, make and yield to two justices of the peace a true and perfect account of all sums of money received, or rated or sesed and not received, and also of such stock as should be in their hands or in the hands of the poor to work, and of all other things concerning their office and pay such sums of money as should be in their hands to the new nominated churchwardens and overseers." The Poor Relief Act of 1743 provided that "churchwardens and overseers should every year within fourteen days after the appointment of other overseers to succeed them deliver to such succeeding overseers a just, true and perfect account in writing of all moneys, goods, chattels, stock and materials as should be in their hands or in the hands of the poor in order to be wrought and of all moneys paid by them."

It is interesting to note that account was required for stocks as well as for moneys, indicating that it was fully realized that stock represents money spent.

It may perhaps be a simplification, but it is certainly not misleading to say that the large part of local government which deals with the social services stemmed from the poor law. In turn, of course, the national social services, such as those administered by the Ministry of Pensions and National Insurance, the National Health Service, the National Assistance Board, grew out of local government. For many years in this century patients in local hospitals for the treatment of notifiable infectious diseases such as scarlet fever and diphtheria were technically poor law cases. Unemployment insurance and assistance grew directly out of outdoor relief. Thus the administrative experience of local government is both very wide and very long—an experience which inevitably threw up numerous cases of failure in public accountability, abuses, and downright dishonesty. As succeeding statutes passed into law more and more specific directions were

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inserted with the object of developing public accountability and preventing and detecting abuse. We have seen that the need for accountability was early realized. Later events emphasized the importance of providing by statute certain safeguards and of stating certain basic principles.

For more detailed information and comment on the purely audit side of public accountability in local government the reader is referred to *The Law Relating to District Audit*, by C. R. H. Hurle Hobbs, himself a district auditor in London. In the following paragraphs brief reference is made to the sections of the statutes relating thereto. In addition reference is made to those sections of the statutes which bear on aspects of public accountability, with special reference to members and officers dealing with supplies and contracts, other than those purely dealing with audit.

It is interesting that in the Acts bringing about the nationalization of great industries in the years 1946-47 the sections in the statutes relating to audit and to public accountability are meagre when compared with those dealing with local government. The presumption is that internal administrative regulations and directions will take care of the principles of public accountability. The experience, however, in local government over many years hardly bears out the efficacy of administration which is largely hidden from public access. The boards and committees set up under the national schemes provide no opportunities for public meetings. The future will show whether public accountability is thereby weakened or otherwise.

The Local Government Act, 1933, was an important codifying measure. In it are embodied many principles relating to public accountability, mostly the fruits of experience, and it is proposed in the following paragraphs to quote those which appear to have a direct bearing on aspects of supplies work. It is fundamental that public supplies officers should be well versed in all the accounting work relating to the functions for which they are responsible. It is equally fundamental that they should realize the importance of audit; indeed the point cannot be too often

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reiterated that stores are transformed money. Far from wishing to avoid the trouble and time spent on matters connected with audit, public supplies officers should perceive the importance of the recognition accorded to stores in the audit of their authority's accounts.

In 1939 the London Government Act became law. In some respects a large part of this Act is almost parallel with the Local Government Act of 1933 adapted to the special conditions due to the exceptional administrative set up of the metropolis. As the sections dealing with public accountability in the two Acts resemble one another almost word for word, it is proposed to quote them together, showing the text of the later Act, the London Government Act, 1939, in clear, with the verbal variations in the Local Government Act, 1933, in brackets wherever convenient.

Members of public authorities having a pecuniary interest in matters brought up for discussion or decision

Sections 51 and 52 of the London Government Act, 1939, and Section 76 of the Local Government Act, 1933, provide as follows:

51 (1939 only) (1) A member of the county council shall not vote on or take part in the discussion of any matter before the council in which he has, directly or indirectly, by himself or his partner, any pecuniary interest.

52 and 76 (1939 and 1933) (1) If a member of a borough council (local authority) has any pecuniary interest, direct or indirect, in any contract or proposed contract or other matter, and is present at a meeting of the council (local authority) at which the contract or other matter is the subject of consideration, he shall at the meeting, as soon as practicable after the commencement thereof, disclose the fact, and shall not take part in the consideration or discussion of, or vote on any question with respect to, the contract or other matter.

Provided that this section shall not apply to an interest in a contract or other matter which a member may have as a ratepayer or inhabitant of the borough (area), or as an ordinary consumer of (gas), electricity (or water), or to an interest in any matter relating to the terms on which the right to participate in any service, including the supply of goods, is offered to the public.

(2) For the purposes of this section a person shall (subject as hereinafter in this sub-section provided) be treated as having indirectly a pecuniary interest in a contract or other matter if

(a) he or any nominee of his is a member of a company or other body with which the contract is made or is proposed to be made or which has a direct pecuniary interest in the other matter under consideration; or

(b) he is a partner, or is in the employment of a person with whom the contract is made or is proposed to be made, or who has a direct pecuniary interest in the other matter under consideration.

Provided that:

(i) this sub-section shall not apply to membership of, or employment under, any public body;

(ii) a member of a company or other body shall not by reason only of his membership, be treated as being so interested if he has no beneficial interest in any shares or stock of that company or other body.

(3) In the case of married persons living together the interest of one spouse shall, if known to the other, be deemed for the purpose of this section to be also an interest of the other spouse.

(4) A general notice given in writing to the town clerk (clerk of the authority) by a member of a borough council (thereof) to the effect that he or his spouse is a member, or in the employment, of a specified company or other body, or that he or his spouse is a partner or in the employment of a specified person shall unless and until the notice is withdrawn be deemed to be a sufficient disclosure of his interest in any contract, proposed contract, or other matter relating to that company, or other body, or to that person which may be the subject of consideration after the date of the notice.

(5) the town clerk (clerk of the authority) shall record in a book to be kept for the purpose particulars of any disclosure made under sub-section (1) of this section, and of any notice given under sub-section (4) thereof, and the book shall be open at all reasonable hours to any member of the borough council (local authority).

(6) If any person fails to comply with the provisions of sub-section (1) of this section, he shall for each offence be liable on summary conviction to a fine not exceeding fifty pounds, unless he proves that he did not know that a contract, proposed contract, or other matter in which he had a pecuniary interest was the subject of consideration at the meeting.

(7) A prosecution for an offence under this section shall not be instituted except by or on behalf of the Director of Public Prosecutions.

(8) The Minister may, subject to such conditions as he may think fit to impose, remove any disability imposed by this section in any case in which the number of members of a borough council so disabled at any one time would be so great a proportion of the whole as to impede the transaction of business, or in any case in which it appears to the Minister, that it is

in the interests of the inhabitants of the borough that the disability should be removed.

(The 1933 Act reads:

The county council, as respects a member of a parish council, and the Minister, as respects a member of any other local authority may, subject to such conditions as the county council, or the Minister, as the case may be, remove any disability imposed by this section in any case in which the number of members of the local authority so disabled at any one time would be so great a proportion of the whole as to impede the transaction of business, or in any case in which it appears to the county council or the Minister as the case may be, that it is in the interests of the inhabitants of the authority that the disability should be removed.)

(9) A borough council (local authority) may by standing orders provide for the exclusion of a member of the council (authority) from a meeting of the council (authority) whilst any contract, proposed contract, or other matter in which he has such an interest as aforesaid is under consideration.

The principle of excluding from the influence of decisions on matters where a member has a pecuniary or other interest is of the utmost importance. As we shall see from sections quoted in later paragraphs this principle applies equally to officers. It is significant that whereas this principle is dealt with with great explicitness in the statutes relating to local government it has no place in the statutes dealing with nationalization. It may be that the nationalized services and industries have equally explicit internal administrative rules: if so they have not been published. (It is an interesting point that the standing orders of some local authorities, e.g. the London County Council have been published and are on sale to the public.)

Officers Having a Pecuniary Interest in Contracts

Officers are dealt with in Section 90 of the London Government Act, 1939, and Section 123 of the Local Government Act, 1933, as follows:

(1) If it comes to the knowledge of an officer employed (whether under this Act or any other enactment) by a local authority that a contract in which he has any pecuniary interest, whether direct or indirect, not being a contract to which he is himself a party, has been or is proposed to be, entered into by the authority or by any committee thereof, he shall, as soon as practicable, give notice in writing to the authority of the fact that he is interested therein.

(The 1933 Act states:

For the purposes of this section an officer shall be treated as having indirectly a pecuniary interest in a contract or proposed contract if he would have been so treated by virtue of sub-section (2) or sub-section (3) of section seventy-six of this Act had he been a member of the authority.)

The 1939 Act goes on:

(2) For the purpose of this section a person shall, subject as hereinafter provided, be treated as having indirectly a pecuniary interest in a contract or proposed contract if

(a) he or any nominee of his is a member of a company or other body with which the contract is made or is proposed to be made or which has a direct pecuniary interest in the other matter under consideration.

(b) He is a partner, or is in the employment of a person with whom the contract is made or is proposed to be made or who has a direct pecuniary interest in the other matter under consideration.

Provided that

(i) this sub-section shall not apply to membership of or employment under any public body;

(ii) a member of a company or other body shall not by reason only of his membership be treated as being so interested if he has no beneficial interest in any shares or stock of that company or other body.

(3) In the case of married persons living together the interest of one spouse shall, if known to the other, be deemed for the purposes of this section to be also an interest of that other spouse.

(4) If any person fails to comply with the provision of this section, he shall in respect of each offence be liable on summary conviction to a fine not exceeding fifty pounds.

Provided that proceedings for an offence under this section shall not be instituted except by or with the consent of the Director of Public Prosecutions.

It is curious that the provision in the 1933 and 1939 Acts concerning the exclusion of members from declaring interest where, as ordinary inhabitants of the area, they enjoy general services such as electricity, is omitted in regard to officers. Its inclusion for members does seem a refinement in definition straining after perfection.

Accountability of Officers

There is a specific direction in both the 1939 and 1933 Acts to officers to render a true account of their stewardship that seems to stem from the Act of Elizabeth, 1601. The Section (87 in the 1939 Act; 120 in the 1933 Act) reads as follows (1933 in brackets):

(1) Every officer employed by a local authority (whether under this Act or any other enactment) shall at such times during the continuance of his office, or within three months after his ceasing to hold it, and in such manner as the (local) authority may ("may" omitted in 1933 Act) direct, make out and deliver

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to the authority or as the authority may ("may" omitted in 1933 Act) direct, a true account in writing of all money and property committed to his charge, and of his receipts and payments, with vouchers and other documents and records supporting the entries therein, and a list of the persons from whom or to whom money is due in connection with his office, showing the amount due from or to each.

Members Who Become Officers

Both the 1939 and 1933 Acts provide for the possibility of persons who may be appointed as officers after serving as members on the same authority. This is obviously framed with the object of preventing a traffic in jobs or an unfair influence in the making of appointments to the staff. From time to time there has been a traffic in jobs in the public services and the local authorities have not been immune from this nasty practice. Section 89 of the 1939 Act and 122 of the 1933 Act provides:

A person shall, so long as he is and for twelve months after he ceases to be, a member of a local authority be disqualified from being appointed by that authority to any paid office, other than that of chairman or deputy chairman (to the office of chairman, mayor or sheriff), in the case of a county council or to the office of mayor in the case of a borough.

Audit

Provision is made for audit of the accounts of all public authorities but the powers directly embodied in the Statutes vary widely. As has been stated in a preceding paragraph the need for audit in rate-supported bodies was realized as far back as the reign of Queen Elizabeth I, and it is therefore not surprising that in local government arrangements for audit are extensive and the powers given to the auditors appointed by the Government are great. District auditors are full time appointments and in big centres, such as London, are assisted by a considerable staff.

According to Mr. C. R. H. Hurle Hobbs¹ the first mention of the term 'auditor' in relation to parochial accounts occurs in the Poor Law Amendment Act, 1834. In the Poor Law Amendment Act, 1844, provision was made for the appointment of district auditors and an important principle was acknowledged in that the 1844 Act established an audit that was completely independent. It was also wider in scope than any audit which had previously been carried out by auditors appointed under the Act of 1834 or by justices under the earlier Acts. Undoubtedly many grave abuses in the handling of and accounting for public moneys and goods had arisen and brought about the strengthening of the powers of audit. Mr. Hurle Hobbs makes the interesting point that it was not until the latter half of the nineteenth century that bodies of professional accountants came into being, the earliest being the Society of Accountants in Edinburgh (1854) followed during the course of the next thirty years by the Institute of Accountants, the Accountants' Society, the Institute of Chartered Accountants, the Society of Incorporated Accountants and the Institute of Municipal Treasurers and Accountants.

Although it is true that the larger public corporations have as an integral part of their administration some form of continuing internal audit, it is unquestionable that an independent audit is necessary not only as a safeguard on behalf of the public that public moneys are lawfully spent and properly accounted for, but also as a safeguard for the corporation itself against unfounded (or founded, for that matter) criticisms or suggestions or allegations that it conceals the true state of its financial operations. Public supplies officers feel that the important principle that it is wrong for a public body to audit itself has a parallel in the supplies principle that an officer in charge of a department, branch or section responsible for arranging for the consumption of stores should not be the same officer as he who is in charge of ordering the stores. There is no doubt that it is an important part of an auditor's responsibility not only to satisfy himself (and the public)

¹ *The Law Relating to District Audit.* C. R. H. Hurle Hobbs. Charles Knight & Co. Ltd., 1949.

that public moneys have been lawfully spent, that proper accounts have been kept, but that also there has been no loss or deficiency due to negligence or misconduct. It follows that records and documents must be kept and produced not merely for the purposes of transacting business and getting things done but also to satisfy the requirements of audit—in other words to provide proper evidence for the purposes of public accountability. This very important consideration is often overlooked especially at times when, usually for political reasons, public opinion is stirred up against the supposed love of public officials for creating 'paper,' keeping elaborate and unnecessary records and tying affairs with 'red tape.'

(I hasten to add that the existence of 'red tape' in other connections in public official life is not denied. The point made is that documentations of processes is not of itself necessarily a manifestation of the 'red tape' mentality.)

Production of Documents

Section 225 of the Local Government Act, 1933, deals specifically with the production of books, deeds, contracts, vouchers and other documents required for audit. This provision has particular bearing on the work of public supplies officers in the local government service and they should always bear in mind when organizing their office and stores procedure that documentation of processes relating to goods as well as the money obligations incurred in ordering and paying for them must be continuous: there should be no gaps. Nowadays, where the telephone is used a great deal it is very easy for a variation verbally agreed in a telephone conversation to escape being noted in writing, and much subsequent time spent in explanation and search could be saved if a brief note of what was agreed had been made at the time of the conversation, signed by the officer responsible, dated, and forthwith attached to the papers. Reliance on confirmation in writing by letter is not enough. Under pressure such confirmations are not invariably made.

Section 225 of the 1933 Act states:

- (1) A district auditor may by writing under his hand require the production before him of all books, deeds, contracts, accounts, vouchers, receipts and other documents which he may deem necessary for the purpose of the audit, and may require any person holding or accountable for any such documents to appear before him at the audit or any adjournment thereof, and may require any such person to make and sign a declaration as to the correctness of the document.
- (2) If any person neglects or refuses to comply with any such requirements, he shall be liable on summary conviction to a fine not exceeding forty shillings, and if any person knowingly and wilfully makes or signs any such declaration which is untrue in any material particular, he shall be deemed to be guilty of an offence under section five of the Perjury Act, 1911.

Disallowance and Surcharge

District auditors of the accounts of local authorities are invested by statute with powers of allowance, disallowance and surcharge. Section 228 of the Local Government Act, 1933, provides:

- (1) It shall be the duty of the district auditor at every audit held by him—
 - (a) to disallow every item of account which is contrary to law;
 - (b) to surcharge the amount of any expenditure disallowed upon the person responsible for incurring or authorizing the expenditure;
 - (c) to surcharge any sum which has not been duly brought into account upon the person by whom that sum ought to have been brought into account;
 - (d) to surcharge the amount of any loss or deficiency upon any person by whose negligence or misconduct the loss or deficiency has been occurred;

(e) to certify the amount due from any person upon whom he has made a surcharge;

(f) to certify at the conclusion of the audit his allowance of the accounts, subject to any disallowances or surcharges which he may have made.

Provided that no expenses paid by an authority shall be disallowed by the auditor, if they have been sanctioned by the Minister.

A nice point of interpretation arises in regard to the expression 'contrary to law' in sub-section (a) of special interest to public supplies officers. An expenditure on an item may in itself be lawful, that is to say it may be lawful to purchase an article for a purpose, for example a motor-car for conveyance of an officer performing a task involving travelling, but if excessive expenditure is incurred the difference between what is reasonable and what is excessive is unlawful. In other words, if the motor-car provided is an expensive luxury car instead of a car reasonably in accordance with the use to which it is put, the difference in expenditure is unlawful.

Under sub-section (1) of Section 225 there is no doubt whatever that the auditor may require the "production of any document which he regards as essential to the proper discharge of his duties, although it may not actually form part of the accounts" (*ibid.*). This has been upheld by a judgment by Lord Hewart, C.J. It is interesting to note also that the auditor is empowered to "require any person holding or accountable for any such document to appear before him at the audit or any adjournment thereof." In this connection, 'any person' may be a member of a local authority, an officer, a contractor and any agent of a contractor such as a professional auditor of the contractor's accounts. If any such person fails to attend after reasonable notice the district auditor may secure his attendance by application for a Crown office *sub poena*. In actual practice, of course, officers are in the main the persons who appear before an auditor, generally to explain documents (or their absence) in the ordinary course of

business, but it is important for officers to realize that the district auditor is fully armed with powers to enforce their attendance. The writer, during the course of his official career, came across a number of officers, some of them holding quite high administrative appointments, who were quite ignorant of the powers of the district auditor in these respects.

The question of 'Disallowance' only concerns public supplies officers to the extent that they may be requested to arrange for the supply of goods or services of questionable lawfulness. In so far as they are concerned by taking their share in the transaction they have a responsibility, but generally disallowance arises out of some mistake in policy. 'Surcharge' on the other hand is in quite a different category. An officer may be personally surcharged (and not rarely is) to the extent to which the public moneys have suffered, if by negligence or for any other reason, he is responsible for the loss. The sum may be relatively small (I have known a case where an officer was surcharged £4 by a district auditor), but officers of all grades under the direction of public supplies officers (including the public supplies officer himself) should realize their personal responsibilities where money and stores are concerned.

It is, in the opinion of the author, a responsibility of a public supplies officer so to organize his department that the possibility of misconduct on the part of any officer under his direction, in relation to the placing of contracts or orders or influencing the acceptance of tenders or offers is reduced to its narrowest limits. This may bring the supplies officer into conflict with an establishment officer or an establishment committee in that, admittedly, the staff of the supplies officer may not, on the question alone of volume of work, be pared to its lowest limit. A practice of safeguards (often resorted to in private enterprise) may require that no transaction is left entirely in the hands of one officer or one sub-section. Misconduct and malpractice are made more difficult to indulge in if the number of persons involved is duplicated and in any case are more certain to become detected.

Akin to this, though not directly of it is the payment of adequate salaries to officers exposed to outside temptations in the way of receiving favours from firms. This matter is dealt with more fully in a later chapter, but on the question of salary alone, a public supplies officer should make the strongest representations to establishment officers and establishment committees, that members of his staff are exposed to temptations, and that their salaries should be such that they will hesitate before doing anything to endanger their continuance in office.

Acceptance of Fees or Rewards by Officers

Section 91 of the London Government Act, 1939, states:

- (1) An officer of a local authority shall not under colour of his office or employment exact or accept any fee or reward whatsoever other than his proper remuneration.
- (2) If any person acts in contravention of this section he shall, in respect of each offence, be liable on summary conviction to a fine not exceeding fifty pounds. Provided that proceedings for an offence under this section shall not be instituted except by or with the consent of the Director of Public Prosecutions.

The Local Government Act, 1933, has similar provisions in Section 123 except that sub-section (1) above is numbered sub-section (2) and sub-section (3) reads "If any person fails to comply with the provisions of sub-section (1) or contravenes the provisions of sub-section (2) of this section he shall for each offence be liable on summary conviction to a fine of fifty pounds."

Corrupt Practices

There are three statutes dealing specifically with corrupt practices in the public service, namely Public Bodies (Corrupt Practices) Act, 1889; Prevention of Corruption Act, 1906; and Prevention of Corruption Act, 1916. As these need some detailed examination they are dealt with in some detail in Chapter 8.

Before leaving the question of audit it is useful to note how the Acts of Nationalization, 1946 to 1948, handled this question.

The National Health Service

The National Health Service Act, 1946, deals with the keeping and auditing of accounts in some detail. Section 55 of the Act reads as follows:

(1) Every local health authority being the council of a county borough shall keep accounts of the sums received and expenditure by them in the exercise of their functions as such an authority, whether under this Act or under any other enactment, and these accounts shall be made up and audited in like manner as the accounts of a county council and shall be kept separately from their other accounts; and the enactments relating to the audit of accounts by a district auditor and to matters incidental to such audit and consequential thereon shall have effect in relation to the accounts which the council of a county borough are required to keep under this section as they have effect in relation to the accounts of a county council.

(2) Every Regional Hospital Board, Board of Governors of a teaching hospital, Hospital Management Committee and Executive Council shall keep accounts in such form as the Minister may with the approval of the Treasury prescribe, and those accounts shall be audited by auditors appointed by the Minister and the Comptroller and Auditor General may examine all such accounts and any records relating thereto and any report of the auditor thereon.

(3) Every such Board Committee and Council shall prepare and transmit to the Minister in respect of each financial year accounts in such form as the Minister may with the approval of the Treasury prescribe.

(4) The Minister shall prepare in respect of each financial year in such form as the Treasury may direct summarized accounts of such Boards, Committees and Councils, and shall transmit

them on or before the thirtieth day of November in each year to the Comptroller and Auditor General who shall examine and certify them and lay copies of them with his report thereon before both Houses of Parliament.

Similar provision is made in the National Health Service (Scotland) Act, 1947, in Sections 55 and 62.

The immediate impression after studying the careful and precise directions contained in the Acts relating to local government is that in the statutory sense all the safeguards, all the results of experience are thrown overboard. On the other hand, it may be in the mind of the Ministry (in this case the Ministry of Health) to institute similar measures as are effective in local government, by administrative action. As to that the public is ignorant. The direction that the accounts "shall be made up and audited in like manner as the county council" refers to the duties and powers delegated under the Act to the local authorities, but in respect of the hospitals service the Act is silent except that those accounts "shall be audited." Considering that until 1949 a very large number of the hospitals transferred to the National Health Service, were administered by local authorities and were subject to the provisions of the Local Government Act, 1933, and the London Government Act, 1939, and indeed themselves stemmed from the Poor Law (in that they were poor law 'infirmaries'), it is remarkable that all the provisions in these Acts designed as safeguards of public money and property and as part of public accountability should disappear from the statute books.

Coal

The Coal Industry Nationalization Act, 1946, prescribes terms relating to the keeping of accounts and to audit in Section 31 as follows:

- (i) The Board shall keep proper accounts and other records in relation thereto, and shall prepare in respect of each financial

year of the Board a statement of accounts in such form as the Minister may direct, being a form which shall conform with the best commercial standards and which shall distinguish the colliery activities and each of the main ancillary activities of the Board.

(2) The accounts of the Board shall be audited by auditors appointed annually by the Minister.

(3) So soon as the accounts of the Board have been audited they shall send a copy of the statement of accounts referred to in sub-section (1) of this section to the Minister together with a copy of any report made by the auditors on that statement or on the accounts of the Board.

(4) The Minister shall lay a copy of every such statement and report before each House of Parliament.

(The Board, of course, refers to the National Coal Board and the Minister to the Minister of Fuel and Power.)

The statute here is even more meagre than that relating to the National Health Service. Sub-section (2) is indeed the minimum of statement.

Transport

The Transport Act, 1947, which effected the Nationalization of British Railways, the transport of goods and passengers by road (subject to certain exceptions), the harbours, and coastal shipping, created the British Transport Commission. The Act prescribes the keeping of accounts and the audit of them in Section 94 as follows:

(1) The Commission—

(a) shall cause proper accounts and other records relating thereto to be kept;

(b) shall prepare an annual statement of accounts in such form and containing such particulars compiled in such manner as the Ministry may from time to time direct with the approval of the Treasury.

(3) The accounts of the Commission shall be audited by an auditor or auditors to be appointed annually by the Minister and in accordance with a scheme of audit approved by him, and, if the Minister so directs, the accounts of the Commission as respects any part of their undertaking specified in the direction shall be separately audited by an auditor or auditors so appointed as aforesaid.

(4) So soon as the accounts of the Commission have been audited as aforesaid they shall send a copy of the statement of accounts referred to in paragraph (b) of sub-section (1) of this section to the Minister together with a copy of the report made by the auditor or auditors on that statement and a copy of that statement and of any such report shall be included in the report which is under Part I of this Act to be laid by the Minister before each House of Parliament.

The Minister of the Ministry of Transport.

Like the Coal Industry Nationalization Act the inference to be drawn is that all the necessary steps for the protection of public funds are to be taken by interior administrative action. The term 'public accountability' takes a new meaning since it is within the discretion of these vast new authorities to decide themselves to what extent they shall make their processes public. It is fair to say that it has been admitted that there is an element of experiment in the administrative form of the great new nationalized services and industries. In both the Coal Industry Nationalization Act, 1946, and the Transport Act, 1947, provision is made for auditors to be appointed annually by 'the Minister.' In the National Health Service Act, 1946, we have seen that the audit is dual: in the functions delegated to the local authorities it is carried out by the district auditor, in the remainder (i.e. the hospitals) it is by auditors appointed by the Minister.

Electricity

The Electricity Act, 1947, which effected the nationalization

of electricity undertakings, prescribed the setting up of the British electricity authority with an area of administration covering all parts of Great Britain except the north of Scotland district. Section 46 of the Act deals with accounts and audit as follows:

(1) The Central Authority and each Area Board shall keep proper accounts and other records in relation to the business of that Authority or the business of that Board, as the case may be, and shall prepare in respect of each financial year a statement of accounts in such form as the Minister with the approval of the Treasury, may direct, being a form which shall confirm with the best commercial standards.

(2) The form of the said statement shall be such as to secure the provision of separate information as regards the generation of electricity, the distribution of electricity and each of the main other activities of the Electricity Board concerned, and to show as far as may be the financial and operating results of each such activity.

(3) The accounts of the Central Authority and of every Area Board shall be audited by auditors to be appointed in respect of each financial year by the Minister.

Provided that no person shall be qualified to be appointed unless he is a member of one or more of the following bodies:

The Institute of Chartered Accountants of England and Wales; The Society of Incorporated Accountants and Auditors; The Society of Accountants in Edinburgh; The Institute of Accountants and Actuaries in Glasgow; The Society of Accountants in Aberdeen; The Association of Certified and Corporate Accountants Limited.

(4) So soon as the accounts of any Area Board have been audited, they shall send the statement of their accounts, referred to in sub-section (1) of this section, to the Central Authority together with a copy of any report made by the auditors of that statement or on the accounts of the Board.

(5) So soon as the accounts of the Central Authority have been audited, they shall send a copy of the statement of their accounts

referred to in sub-section (1) of this section to the Minister together with a copy of any report made by the auditors on that statement or on the accounts of every Area Board to the Minister together with any reports on those statements or accounts as aforesaid and copies thereof shall be made available to the public at a reasonable price.

(6) The Minister shall lay a copy of every such statement and report before each House of Parliament.

Again, provision is made for auditors to be appointed by the Minister. The recurrence should be noted of an expression that appeared in the Coal Industry Nationalization Act, 1946, namely, that the form of statement of accounts shall 'conform with the best commercial standards.' This surely is a peculiarly indefinite form of words to be used in a statute where we are accustomed rather to a straining towards precision. In the Electricity Act, 1947, there appears, too, a list of the bodies from which the auditors must be chosen. By the theory of exclusion an auditor belonging to any other body (such as The Institute of Chartered Accountants in Ireland) is not eligible.

Gas

The Gas Act, 1948, under which gas undertakings were nationalized, set up a Gas Council for central and area boards for local administration. Section 50 deals with accounts and audit as follows:

(1) Each Area Board and the Gas Council shall keep proper accounts and other records in relation to the business of that Board or the Council as the case may be, and shall prepare in respect of each financial year a statement of accounts in such form as the Minister, with the approval of the Treasury, may direct, being a form which shall conform with the best commercial standards.

(2) The form of the said statement shall be such as to secure

the provision of separate information as respects each of the main activities of the Board concerned or of the Council and to show as far as may be the financial and operating results of each such activity.

(3) The accounts of every Area Board and of the Gas Council shall be audited by auditors to be appointed in respect of each financial year by the Minister: Provided that no person shall be qualified to be so appointed unless he is a member of one or more of the following bodies: The Institute of Chartered Accountants of England and Wales; The Society of Incorporated Accountants and Auditors; The Society of Accountants in Edinburgh; The Institute of Accountants and Actuaries in Glasgow; The Society of Accountants in Aberdeen; The Association of Certified and Corporate Accountants; The Institute of Chartered Accountants in Ireland.

(4) Every Area Board and the Gas Council shall as soon as their accounts have been audited, send a copy of the statement thereof referred to in sub-section (1) of this section to the Minister, together with a copy of any report made by the auditors on that statement or on those accounts, and copies of those statements and of every such report shall be made available to the public at a reasonable price.

(5) The Minister shall lay a copy of every such statement and report before each House of Parliament.

The phrase 'best commercial standards' appears again. There are slight variations in the drafting. For some reason, the list of approved bodies from which auditors may be chosen under this Act includes The Institute of Chartered Accountants in Ireland. During the years 1946-48 a large amount of legislation was enacted by Parliament including the great nationalization measures. An historian examining the statutes would, I think, be able to infer that there is evidence of, if not haste, at any rate pressure, in that the drafting appears to lack the degree of precision we had been accustomed to expect in the statutes.

PUBLIC ACCOUNTABILITY

We have seen in the previous chapter that the audit of accounts, together with provisions in certain cases in the statutes, provides one of the means of what it is convenient to call public accountability. It is a paradox of the times we live in that, whereas in the past the 'public' had access (or some access) to the reports and documents on matters relating to the spending of public money, that is to say, matters concerning, on the one hand, the proper accounting for expenditure and, on the other, the safeguards against negligence, fraud and misuse, and the penalties and punishment inflicted where negligence and fraud were discovered, to-day a great deal is not accessible to the public and, indeed, even to the representatives of the public, such as Members of Parliament, the extent of their investigation in these matters is limited.

There are some statutes specifically aimed at corruption whether indulged in by officers accepting 'considerations' in order to give favourable treatment or by private persons offering considerations for or in the expectation of favours. There are codes of disciplinary procedure in public authorities (varying a good deal in scope and efficacy). There are clauses inserted in the conditions of contract with public bodies, warning against offering favours to staff—although these clauses are not necessary, other than reminders, in view of the terms of the statutes. And there is the unwritten code of professional conduct. All these are buttresses of public accountability. The object of all is clean administration and, although public accountability is more than clean administration, it certainly rests upon it. Nevertheless, there is some internal resistance to the implications of public accountability, partly due to what some officers consider a waste of time,

if they are required to explain what is, to them, quite normal action, and partly due to what are often extremely biased and unfair allegations, unsupported by evidence or inadequately supported by evidence, made in the Press and in public speeches about official matters where the officers have no opportunity of defending themselves. In fairness, however, it should be admitted that not seldom these attacks are provoked precisely because the facts are not accessible to the public.

The Public Bodies Corruption Act, 1889, deals with the giving of bribes to members or officers of public bodies. On this Act is based the law relating to the corruption by bribery in the public services. There are two later Acts, namely, the Prevention of Corruption Act, 1906, and the Prevention of Corruption Act, 1916. By Section 4 (1) of the 1916 Act, it would appear to be the intention that the three Acts should be considered together. All three Acts are closely worded and the various definitions are precise. The 1889 Act states:

Section 1 (1) Soliciting or receiving bribe—Every person who shall by himself, or by or in conjunction with another person corruptly solicit, or receive, or agree to receive, for himself or for any other person, any gift, loan, fee, reward or advantage whatsoever, as an inducement to or reward for, or otherwise, on account of any member, officer or servant of a public body, as in this Act defined, doing or forbearing to do anything in respect of any matter or transaction whatsoever, actual or proposed, in which the said public body is concerned, shall be guilty of a misdemeanour.

(2) Giving or offering bribe—Every person who shall by himself or by, or in conjunction with any other person, corruptly give, promise, or offer any gift, loan, fee, reward, or advantage whatsoever to any person, whether for the benefit of that person or of another person as an inducement to, or reward for, or otherwise on account of any member, officer, or servant of any public body, as in this Act defined, doing or forbearing to do anything in respect of any matter or transaction whatsoever,

actual or proposed, in which such public body as aforesaid is concerned shall be guilty of a misdemeanour.

At first sight, especially to a layman, the wording of Section 1 of the 1889 Act would appear to be wide enough to cover all cases of soliciting or receiving by or giving or offering to members or officers of public bodies inducements for the purpose of influencing the trend of transactions. However, as we shall see, Parliament later in 1906 and again during the 1914-18 war, in 1916, found it necessary to strengthen the Act by further enactments.

Section 2 of the 1889 Act deals with penalties. The following summary appears in *Stone's Justices' Manual*:

Penalty—On conviction, at the discretion of the court (a) imprisonment not exceeding two years or a fine not exceeding £500 or both; and (b) in addition be liable to be ordered to pay such body, and in such manner as the court directs, the amount or value of any gift, loan, fee or reward received by him, or any part thereof; and (c) be liable to be adjudged incapable of being elected or appointed to any public office for seven years from the date of his conviction, and to forfeit any such office held by him at the time of his conviction, and (d) on second conviction for a like offence, in addition to the foregoing penalties, be liable to be adjudged for ever incapable of holding any public office, and to be incapable for seven years of being registered as an elector or voting; and (e) if such person is an officer or servant in the employ of any public body, at the discretion of the court, be liable to forfeit his right and claim to any compensation.

Section 3 (2) provides that the invalidity of the appointment or election of a person to a public office does not exempt such a person from punishment under the Act.

Section 6 lays down that Quarter Sessions have jurisdiction to deal with prosecutions made under the Act.

Section 7 deals with interpretation as follows:

‘Public body’ means any council of a county or a city or town council of a municipal borough, for the purpose of any Act relating to local government, or the public health, or poor law, or otherwise administer money raised by rates in pursuance of any public general Act, but does not include any public body as above defined elsewhere than in the United Kingdom.

Under the 1906 and 1916 Acts, the definition of a ‘public body’ was widened and, as we shall see later, now includes every kind of public body, not excepting Government departments.

Section 7 of the 1889 Act continues:

‘Public office’ means an office or employment of a person as a member, officer, or servant of such public body. ‘Person’ includes a body of persons, corporate or incorporate. ‘Advantage’ includes any office or dignity, or any forbearance to demand any money or money’s worth or valuable thing, and includes any aid, vote, consent or influence, and also includes any promise or procurement of or agreement or endeavour to procure, or the holding out of any expectation of any gift, loan, fee, reward or advantage as before defined.

Prior to the passing of the 1889 Act, there had been unquestionably a good deal of corruption in public administration, especially local administration, in regard to the placing of contracts, in which both members and officers were involved. An illustration of this is provided in the published report of evidence given in April 1885, before Local Government Board Inspectors.¹

In those days, medical opinion supported the view that wines and spirits were beneficial in the treatment of infectious diseases. During the inquiry, it was revealed that the quantities of champagne, port wine and spirits which purported to be issued to patients were unexpectedly generous; that one officer had to explain away considerable sums of money paid into his banking account by saying that his hobby was horse-racing and that he

¹ Eastern Hospitals Inquiry. Evidence of witnesses. *The Metropolitan*, 1885.

had been fortunate in his investments; that the chairman of a committee found it convenient himself to deliver certain cheques, in payment of accounts rendered, to the contractor in person; that one of the contractors for works had on his books employees whose physical substance was difficult to identify; and, in short, that a general beano had been enjoyed by members and officers at the public expense (including some fantastic dinners) over a number of years.

The Prevention of Corruption Act, 1906, really re-wrote the 1889 Act, but made general application of it instead of confining it to 'public bodies.' Section 1 of the Act states:

(1) If any agent corruptly accepts or obtains, or agrees to accept or attempts to obtain from any person, for himself or for any other person, any gift or consideration as an inducement or reward for doing or forbearing to do, or for having, after the passing of this Act, done or forborne to do, any act in relation to his principal's affairs or business, or for showing or forbearing to show favour or disfavour to any person in relation to his principal's affairs or business; or

If any person corruptly gives or agrees to give or offers any gift or consideration to any agent as an inducement or reward for doing or forbearing to do, or for having, after the passing of this Act, done or forborne to do, any act in relation to his principal's business, or for showing or forbearing to show favour or disfavour to any person in relation to his principal's affairs or business; or

If any person knowingly gives to any agent, or if any agent knowingly uses with intent to deceive his principal, any receipt, account or other document in respect of which the principal is interested, and which contains any statement which is false or erroneous, or defective in any material particular, and which to his knowledge is intended to mislead the principal;

he shall be guilty of a misdemeanour, and shall be liable on conviction to imprisonment with or without hard labour for a term not exceeding two years or to a fine not exceeding five

hundred pounds, or to both such imprisonment and such fine, or on summary conviction to imprisonment with or without hard labour for a term not exceeding four months, or to a fine not exceeding fifty pounds, or to both such imprisonment and such fine.

(2) For the purpose of this Act, the expression 'consideration' includes valuable consideration of any kind; the expression 'agent' includes any person employed by or acting for another; and the expression 'principal' includes an employer.

Sub-section (3) of the 1906 Act is of the utmost importance—that it is recognized that the principles apply equally to persons serving under public bodies and Government departments as to those serving rate-aided bodies or those instruments usually considered as local government bodies. It reads as follows:

(3) A person serving under the Crown or under any corporation or any municipal borough, county or district council or any board of guardians is an agent within the meaning of the act.

In reading this sub-section, it is difficult to resist the impression that whoever was responsible (in 1906) for drafting it had vision enough to see in an indefinable way the tremendous developments of public ownership and public management foreshadowed in the future.

In 1916 a further Act was passed, known as The Prevention of Corruption Act, 1916. It was then realized that the war which had been declared in 1914 was going to be a long, grim business. The sentimental fervour, the slogans 'Business as usual,' had evaporated. The first and second battles of Ypres had been fought. The 'victory' of Loos in 1915 had been exposed. Meanwhile, at home some curious interpretations of the ethics of handling public money had come to light. Anyway, Parliament clearly felt that the Corporation Acts needed strengthening. It is significant that it was decided (a) to increase the penalties and (b) to tighten still further the definitions.

Section 1 of the 1916 Act is as follows:

(1) A person convicted of a misdemeanour under the Prevention of Corruption Act, 1906, or the Public Bodies Corruption Practices Act, 1889, shall, where the matter or transaction in relation to which the offence was committed was a contract, or a proposal or a contract with His Majesty or any Government Department or any public body, or a sub-contract to execute any work comprised in such a contract, be liable to penal servitude for a term not exceeding seven years nor less than three years;

Provided that nothing in this Act shall prevent the infliction in addition to penal servitude of such punishment as under the above-mentioned Acts may be inflicted in addition to imprisonment, or prevent the infliction in lieu of penal servitude of any punishment which may be inflicted under the said Acts.

The penalties, therefore, under the 1916 Act are increased from a maximum term of imprisonment ('with or without hard labour') of two years to a maximum term of seven years' penal servitude with a minimum term of three years. As historical social documents, Acts of Parliament often reveal by implication far more than the records of speeches or writings of the period and this Act is no exception.

Section 2 of the 1916 Act states:

Where in any proceedings against a person for an offence under the Prevention of Corruption Act, 1906, or the Public Bodies Corrupt Practices Act, 1889, it is proved that any money, gift or other consideration has been paid, or given to, or received by a person in the employment of His Majesty or any Government Department, or a public body by or from a person or an agent of a person holding, or seeking to obtain a contract from His Majesty or any Government Department or public body, the money, gift or consideration shall be deemed to have been paid or given or received corruptly as such inducement or reward as is mentioned in such Act unless the contrary is proved.

This is a most important provision. In brief, it says that if any consideration whatever passes between a contractor or his agent, holding or seeking to hold a contract with a public body, and anyone in the employment of that body, such an inducement is *ipso facto* a corrupt inducement.

In view of this section it is perplexing to find no reference to it in the report of the inquiry carried out by Sir Valentine Holmes, KC, into the acceptance of presents by persons on the payroll of the British Broadcasting Corporation in 1947.¹ In that report reference is made to the Prevention of Corruption Act, 1906, together with a good deal of explanation of the 'customs' of the variety profession, but no mention is made of the 1916 Act. Reference is made to a lengthy list of gifts received by a recipient who had been on the staff for many years. If Section 2 of the 1916 Act did not apply to such a case it would have been helpful if the report had explained why.

What is often called 'discipline procedure' (as applied to officers) is a code of regulations, sometimes appearing in, but more frequently deriving from the standing orders of a public body, designed to deal with instances of officers committing misconduct or worse in the course of their official duties. In recent years there have been great changes in disciplinary procedure, largely through the representations of trade unions, staff associations and other collective professional bodies representing the interests of officers. Formerly, indeed up to the period following the 1914-18 war, when the country underwent great social changes, public authorities in their capacity of employers were accustomed to act in an arbitrary way in dealing with cases of reported misconduct, and it is possible that some injustice was occasionally done. But with the recognition, almost everywhere in the public service except in the smallest authorities, of the right of anyone accused of an offence, (a) to know what he is accused of and, (b) to be given proper means to defend himself, the situation changed completely and to-day the likelihood of

¹ Report to the Chairman and Governors of the British Broadcasting Corporation by Sir Valentine Holmes, 1947. B.B.C. Publication.

real injustice being done is very small. In some cases, the discipline procedure has become so elaborate that in certain offences, such as fall under the heading we are discussing, namely corruption, there may be a semblance of conflict between the disciplinary procedure and the application of the law.

Professional Ethics

There can be no question that officers engaged in supplies work must exercise the greatest care and restraint in ensuring not only that all their actions are free from the taint of favour in relation to the firms with which they deal but also that there is no appearance of taint. Public supplies officers should keep clear of favours, (a) on grounds of professional ethical conduct and (b) because, as we have seen, they may be liable to proceedings under the Prevention of Corruption Acts. Gifts, Christmas or otherwise, should not be accepted. In fairness, it should be said that, generally speaking, most reputable firms are aware of the inadvisability of offering gifts to officers and of their vulnerability in law by so doing. There are, however, exceptions, mostly amongst firms of short existence.

One of the possible difficulties in which a public supplies officer may find himself placed arises when a member of his authority or another officer of very high standing asks him to procure something for personal use from a firm on favourable terms or (such as, when there is scarcity) in circumstances which would involve asking the firm for a favour. If he agrees he may have a sense, (a) that he is guilty of unprofessional conduct, and (b) of embarrassment in seeking a favour. If he declines, he may create an atmosphere in his professional relations which may cause awkwardness or worse, especially if he has improvements of organization or procedure in mind. A lot will turn on his strength of character, intelligence and tact.

There is no doubt that firms of good standing respect public officials who conduct business fairly, neither asking nor seeking favours, who respect business confidences, and who deal with

quotations and tenders in a completely impartial way. A great deal of goodwill can be built up over the years when the full confidence of reputable firms is thus gained, and this goodwill may reflect itself in many ways, such as, for example, a fair allocation when goods are in short supply, advance news when new products are imminent, fair prices, adherence to promises of delivery, sensible ways of dealing with obvious errors and so on. Good relations really depend on mutual goodwill and the best firms recognize this.

There is never justification, in any circumstances, after having invited quotations for goods, in playing one firm against another. It is inherent in transactions with public authorities that competition shall be fair. Expediency must never be allowed to interfere with principle. If quotations are announced to be delivered by a certain time on a certain day, that time should be held and anything received after it should be marked late and excluded from consideration, whether the offer is the lowest or not. The only exception which may legitimately be made is where the goods are urgently required and the late quotation is the only one received. It is more important *in the long run* to preserve this principle immaculate than secure an advantage in a single case by resorting to expediency in this manner. The best firms will only quote the best terms if they know the rules concerning the issue and receipt of quotations are inviolable. (There is, of course, also the possibility that the firm sending in a lowest quotation late may have secured some information by underhand means.)

Advantage should not be taken of genuine errors. Where what seems to be an obviously incorrect figure appears in a quotation, the firm should be asked to confirm the figure in writing. It is neither clever nor farsighted to take advantage of a mistake. Again, the long view is more important than the single temporary advantage. On the other side, a firm should not be permitted, after a quotation has been accepted, to qualify or vary terms which have the appearance of being reasonable when the quotation was submitted. Of recent years, when the prices of raw

materials have been controlled and when hours and pay of labour have been governed by awards and agreements negotiated by trade unions, the practice has grown up for firms to submit quotations with a 'subject' clause—that is to say, with a proviso that prices are subject to variations in the prices of raw materials and in the wages of workers in the particular trade. But commodities are gradually being freed from control and wages appear to have reached some degree of stabilization. Wherever practicable, this 'subject' clause should be resisted and encouragement by way of orders given to firms which will make a 'firm' quotation.

The disclosure of the prices in an accepted tender or quotation is always a matter attended by practical difficulties. However strict rules may be against disclosure, the fact remains that in many transactions a number of officers, including some who are not under the direction of the supplies officer, have to know the prices in order to carry out their duties. And a secret shared by many is no longer a secret. Officers are human with human frailties. Often careless talk about prices is due to nothing more than a desire to 'show off,' to appear important. The writer knows of one case of a senior officer who revealed accepted prices, not for reward, but because he was appealed to and could not bear to be thought of as other than a 'good friend.' In other words, vanity was the root cause. Of course, officers are not rarely offered considerations for the giving of information, and it is not remarkable that sometimes they are not strong enough to resist. The consideration may not always be in the form of money. When goods were scarce and hard to get, it was not uncommon for an inducement to be in the form of a promise to get an article for the officer's personal and private use. Unfortunately, officers in present-day conditions are so often in a relatively disadvantageous position, compared to their opposite numbers in business. They have no 'expense account' or entertainment allowance. Generally, they are paid less (on the ground that they are supposed to have security of tenure of office, though during the past few years this security has proved a myth, and they have

found that they have no more real security—and sometimes a good deal less—than their colleagues in an established industrial or commercial corporation).

A point of professional ethics which sometimes arises is where a firm belonging to a trade organization quotes terms which are, in effect, a breach of the organization's rules. Should a supplies officer, in such a case, deal with such a firm? In the opinion of the writer, no question arises. Trade organizations exist primarily to protect the interests of their members. It is not suggested that such organizations are deficient in patriotism or consideration for the public interest. But self-interest comes first and it is hard to believe that if there is a rule, for example, that no member firm may offer a discount of more than, say, 5 per cent to public authorities, such a rule has been devised in the public interest. Or a rule that no special terms are to be allowed to a public authority, no matter how large a scale the orders involved may be. If a member firm decides to depart from the rules of its organization by offering special terms, and the firm is a reputable firm doing its business properly, maintaining decent conditions of employment of its workpeople, fulfilling its business obligations, it is contended that it is no part of the duty of a public supplies officer to take into consideration the rules of the organization in regard to its members. The more so as such rules may constitute what might sometimes be considered unfair discrimination against public authorities as such. There is an enormous amount of lip service paid to what is called 'free enterprise' and free competition, but it is one of the phenomena of modern business that almost everywhere the most resolute efforts are made to eliminate competition—which, for the purpose of argument, is usually referred to as 'unfair' or 'wasteful' competition. There is, of course, a powerful argument against free competition and most businessmen are frank about this—until they make public speeches.

An interesting problem for supplies officers which sometimes arises, involving professional conduct is where, for perfectly proper reasons, a particular firm has held in succession contracts

for the supply of certain goods or the furnishing of certain services. For perhaps years, the firm has regularly tendered and regularly secured the contract by offering the lowest satisfactory terms. Moreover the firm may have consistently given good service; it has learnt to understand the ways and methods of the authority; and all in all the arrangement has suited both parties. Then a day comes when another firm submits a quotation that is slightly lower. The difference may be slight, but difference it is. But the original firm feels it has a grievance. Unconsciously it has acquired a vested interest in the authority's business. It claims (often with good reason) that it has always given a little extra by way of service than was called for in the contract. The human side is real and clear. However, competitive tendering is competitive tendering. (And if the public body is a local authority, the district auditor will have no doubts as to where the line of duty is.) There is also a further consideration. Is it good sense and good business to be tied to a single source of supply? Sometimes, where a change is made, local 'pressure' on the supplies officer manifests itself. (For example, if the place of supply is a school, the school governors are found to become alive to the undesirability of changing contractors.) There is also the very real consideration that the 'service' of the new firm is an untried quantity and should it fail, a good deal of criticism will fall on the Supplies Department. It is doubtful if any better advice can be given than to deal with each of these cases strictly on its merits without fear or favour and having made a decision to stick to it. Often firms displaced in this way will make a resolute effort to regain the business on the next occasion when offers are invited.

The professional code of a public supplies officer must of necessity be a somewhat Spartan one. His position is so vulnerable. In his dealings he must preserve scrupulous fairness and scrupulous fairness does not always favour the most deserving. At times he has to be inflexible when he will be criticized for not being flexible. At times he is bound to take action which not only will be described as displaying hardness but which really will be hard. There is, however, one way in which he may save

a little grace for himself. He can show by his words that he is human and understanding and can see the other man's point of view. But his behaviour must be ruled by that inner integrity that most people profess to respect and indeed do respect—when it is directed to other people. And his actions have to appear to be fair and just as well as being fair and just. He will be abused and criticized and expected to deliver the goods always. And everyone he meets knows how to do his job.

In essence, the duty of the public supplies officer is clear. He has an obligation to see that public money relating to his professional work is honestly used and properly accounted for, and that the supplies and services are obtained fairly and applied, so far as lies in his power, to the ends for which they are intended. This involves the keeping of true records of all supplies transactions and the organization of a system whereby there is a firm control of stocks and services. It involves close check of stocks in store, the institution of frequent stock-taking (whether periodical or continuous or, preferably, both), personal inspection of documents relating to the placing of orders for and the methods of receiving, checking, examining and storing of supplies. It implies ensuring that proper and economical methods of storage and turnover of stocks in store are applied. It requires the organization of a system under which there is an effective physical control of stores from the time they are received until the time they are issued. It involves, too, the supervision of the placing of contracts for services and oversight of the way in which these services are carried out.

His professional conduct requires of a public supplies officer so much more than the performance of the letter of his code of duties and the requirements of the financial department. He is in a position of trust on behalf of the public. Rightly he will delegate such of his work as he can and should. But personal inspection of the work for which he is responsible he cannot delegate without failing in his trust.

Chapter Nine

GENERAL AND PARTICULAR

Sources of Information about Public Supplies Administration.—In the previous chapters an attempt has been made to define the main principles underlying public supplies work, to illustrate its economic roots, to give brief instances of the experience gained in the past, to indicate some of the particular applications of the principles in different branches of the public service, to state the underlying principles of public accountability and to show how in various ways Parliament has attempted to preserve them by statutory law and by insistence on audit, and to discuss some of the uncomfortable but unavoidable problems that arise from the frailties of human nature. Detailed examination of procedures, of the law relating to contract, of office organization and methods have not been considered within the scope of this book—indeed each could form the subject of a text-book. As to that, there is, in the opinion of the writer, a deficiency of text-books in this country on the practice of executive work in public authorities. Bodies such as the Institute of Public Supplies Officers, the Institute of Public Administration and others should exert every effort to repair this deficiency. In 1943, the author of this book was asked by the late Sir Eric Salmon, MC, DL, who was one of the original group who promoted the Administrative Staff College, to prepare a confidential memorandum on “Administration as a Subject of Teaching,” and in the course of it wrote: “. . . considering the enormous developments in industry and the public services during the past fifty years, the paucity of text-books on administrative methods is noticeable. Secrecy in business affairs still has a large number of adherents. If administration is to be made a subject of instruction at a college formed for that purpose, not the least function such a college might exercise

would be the creation and publication of books on specialized aspects of administration—books which were really based on research, and were kept up to date by revised editions from time to time." Nothing has occurred since those words were written to prompt me to alter them. Of course, valuable books of this nature are published but in relation to the size of public administration in this country the number is extremely small.

In the absence of text-books, an historian or a student of administrative method has to rely (*a*) on such information as the public authority decides to publish either through its public relations officer or, where there is none, through the individual heads of departments authorized; or through its annual or special reports; or through papers read or published by officers of reasonably high standing (generally either 'vetted' within the authority or at any rate not repugnant to the views of the authority). These sources are, of course, very valuable and to some extent informative, but it is not surprising that a wide difference of opinion exists in the various public authorities as to what is publishable. There is so much ill-informed and unfair criticism, much of it in the form of attempting to manufacture sensationalism where none exists, both by publicists and some organs of the Press, that it is not surprising that officers in the public services, who seldom are able to defend themselves against public criticism, tend to play safe by publishing as little as possible about methods and about aspects of their work which may be the subject of controversy.

Documentation.—Reference has been made in Chapter Seven to the powers of auditors to require the production of any document relating to a transaction. Apart from the requirements of audit it is fundamental that the documentation in a public supplies department, whether large or small, shall be carefully worked out. Against the time and trouble in making out and keeping documents properly is to be set the time and trouble spent in tracing queries where the documentation is badly done. Every supply order should have documents tracing the steps consecutively from the drawing-up of the specification to the receipt and

acceptance of the goods (and, of course, where goods pass through stock, documents should record passage into stock and issues from stock). Verbal decisions (including telephoned decisions) should be briefly but precisely minuted, initialed and dated, and the record attached to the file. Where (through wars, strikes, the rearmament programme or any other major cause) delays occur in deliveries, it is extremely important to preserve copies of reminders, 'chasers' and other communications relating to delivery; similarly, in the case of direct deliveries, where delays occur (as they frequently do) in the sending in to the supplies department of receipts of goods signed by officers in other departments authorized to do so, copies of reminders are essential. A few years ago, the general manager of one of the biggest and most modern manufacturing concerns in this country (a company with a distinguished record of profits and expansion, and one, moreover, considered as an extremely good employer) said to me: "In my view, it is unlikely that you can have too much paper work *at the right points of operation.*" There is a certain irony in this having been said by a business man of high executive ability to an officer of a public authority. Naturally, the words in italics form the key. Much paper work is useless. But at the right points of operation it is a great time saver as well as a safeguard of public property.

Use of Office Machines.—The use of machines in office work of a Supplies Department needs particular consideration. It is quite impossible to generalize as each supply unit needs to be studied on its merits. The size of the unit, the geographical spread of its 'customers,' whether and to what extent stocks are held, to what degree accounting work is the responsibility of the supplies officer, whether costs are to be charged or allocated by the supplies officer under classified votes or headings, the policy in regard to stock records required by the authority, whether any other functions (such as transport) are the responsibility of the supplies officer, and so on. There is no doubt (the experience of a large number of public authorities shows) that suitable machines for the particular function are invaluable. At the same

time, it is desirable to be realistic about machines—they are tools and should not be allowed to become masters.

The British Standards Institution.—All through the reports of official committees in this country and abroad for many years on the specialization of supplies work, there is an emphatic note that immense fields of economy are available by the introduction of simplification and standardization of articles in common use. Supplies officers have a valuable ally in the promotion of this view in the British Standards Institution. It is not easy to overstate the value of the work of this Institution and to all Supply Departments other than those big enough to maintain a considerable technical staff the advantages conferred by the research work carried out by the Institution are very great indeed. Every supplies officer would do well to study two articles, entitled: "Standards as an Aid to Purchasing," by A. F. B. Nall, AMISanE, AMInst.W, Assistant Technical Director of the British Standards Institution.¹ Mr. Nall points out that in addition to the obvious general advantages of standardization of articles and parts in common use, there are some important special benefits to supplies officers. For example, if there is a British Standard the need for a supplies officer to prepare specifications is obviated. Mr. Nall says: "Under present-day conditions of trading with scarcities of many commodities, specification writing is a difficult and complex undertaking. Anyone setting out to write a specification has an awkward task in trying to reconcile the wishes of those on whose behalf he is buying with the hard facts of market conditions. If he relies on the use of British Standards he knows that this reconciliation has largely been done for him already." It should be remembered, by the way, that one of the principles of the Institution is that their standards shall be periodically reviewed. Another advantage is that the adoption of a British Standard avoids the risk of misunderstanding what is required. If a contract correctly states a British Standard, with accurate statement of size or alternative, the manufacturers or supplier has no ground for being in doubt as to the precise nature of the requirements.

¹ *Supplies*, March and April issues, 1952.

GENERAL AND PARTICULAR

Mr. Nall also points out that the Standards help supplies officers to avoid pitfalls when buying specialized plant or apparatus, a matter of importance when one considers what a wide field supplies officers have to cover.

A principle which is observed in the preparation of British Standards is that the interest of both producer and consumer shall be considered in their preparation. This provides an assurance that the goods for which a supplies officer is asking are a reasonable manufacturing proposition.

Mr. Nall makes an interesting point on quality and price. He states that British Standards "... assure the satisfaction of knowing that the goods offered represent reasonable value for the money expended, a factor which arises from the thorough investigation on which the standards are based. The prevalent practice of contracting with the lowest tenderer may not provide any warranty of value unless all tenderers quote for goods of the same standard. Purchasers will, of course, satisfy themselves that this is, in fact, the case by careful examination of the tenders received. Such an enquiry may lead to the elimination of goods of sub-standard quality which have enabled a keen price to be submitted. In this connection, one occasionally hears the statement that British Standards have led to increased prices. This may sometimes be true, and when one realizes that British Standards are occasionally prepared so as to eliminate inferior goods it is hardly surprising that the standard goods cost more. . . . The true comparison is between the value, in terms of useful service life, of the former article at its cut price and that of the standard one at a higher price."

Not the least of the advantages of the adoption of a standard lies in the fact that when renewals and replacements are needed an identical quality and size may be assured. Not only is this advantage considerable in regard to dimensions but composition is also to be considered. Mr. Nall points out that: "The vast majority of the Standards are prepared with the object of providing a material or article which will possess the utmost usefulness in service. This is usually a matter of striking a balance between

one extreme of specifying the ideal, which might be too costly or an impracticable proposition to manufacture, and the other of putting forward something which would be cheap and easy to make. The national standards movement can justifiably claim to have struck, on the whole, a fair balance, so that there are many hundreds of types of standard product on which users can depend. . . . If one buys consistently to a standard, even though from different manufacturers, it will almost always be the case that the operating mechanism or the ways in which the articles perform their functions are sufficiently alike to make it unnecessary for the user to acquire a new technique."

The Institute of Public Supplies Officers has officially acknowledged its recognition of the importance of the work done by the British Standards Institution by becoming a member of the Institution. The Institute has accepted invitations to appoint representatives to committees of the Institution engaged in the inquiry work necessary in the preparation of standards. A complete set of British Standards and the standards issued by the national standards bodies of some thirty countries are available for reference in the British Standards Institution library, which is open to visitors from 9.30 a.m. to 5 p.m. from Mondays to Fridays and 9.30 a.m. to noon on Saturdays at the headquarters of the Institution, 2 Park Street, London, W.1. There is also a complete set available for reference at the Manchester office of the Institution at 12 Hilton Street, Manchester, 1.

It should be understood that the British Standards Institution does not normally initiate standards nor has its staff any executive power in determining the treatment given to any particular item. All decisions relating to policy and technical treatment are taken by representative committees made up of members drawn from all the interests affected, including the users, manufacturers and professional organizations concerned. A description of the constitution is given by Mr. A. F. B. Nall in his article as follows: "Policy is settled by some sixty industry standards committees which operate for practically every sphere of British industry. All these committees are fully representative and autonomous;

they decide the programmes for their particular industries and whether or not any particular product should be the subject of a standard. They authorize the appointment of expert technical committees to undertake the detailed preparation of standards and approve the drafts before publication takes place. It is the duty of all these committees, policy and technical, to proceed on the basis of the largest measure of common agreement and no settlement is practicable whilst there is a valid objection to what has been proposed. When a technical committee has reached agreement on a draft, it is circulated throughout the community of interest concerned for a period during which comments may be submitted. All comments received are examined by the technical committee which decides whether or not there is a case for altering the original proposals. The draft, amended as may be necessary, is then passed to the relative industry standards committee for approval prior to publication." Mr. Nall claims that the procedure is designed to secure the widest cross-section of opinion and the greatest measure of support. The importance of this is stressed because British Standards are not mandatory; they are issued for use by those who care to adopt them, having appreciated the advantages of doing so. It is a striking fact that about 750,000 copies of British Standards are distributed annually.

As buyers, supplies officers will have a general interest in a wide range of British Standards but, in particular, there are two advisory committees of the Institution which especially affect them, namely, the Hospital Equipment Standards Advisory Committee and the Local Authorities Standards Advisory Committee (Commodities). Both these committees have a formidable programme of work, especially as, in the case of the first-named, there is a good deal of equipment for hospitals still in the development stage.

The British Standards Institution is governed by a general council to which an executive and also a finance committee work. There are four main divisional councils representing the building, chemical engineering and textiles industries. In addition

to representatives of the industries, Government departments, nationalized industries, institutions representing the professions and industries concerned (for example, the Institution of Civil Engineers and the Association of British Chambers of Commerce), the Trades Union Congress have nominated members on the General Council, the Executive Committee and the Divisional Councils as the case may be.

Purchase from State-aided Bodies.—Supplies officers may encounter minor problems when the question of purchasing certain goods from State-aided bodies arises. H.M. prisons, for example, manufacture a number of articles for which they desire a market, official if possible. Then there are the workshops for the blind, and Remploy, an organization promoted by the Government for the training of men incapacitated from following their previous trade. As was seen in Chapter Five, the Supplies Division of the Ministry of Health awards some contracts to organizations such as Remploy, “often without competitive tendering, but where this is done the current market price only is paid.” It would appear that the only fair way to place business with this kind of organization is by negotiation and not by inviting competition with business firms. The transaction is a special one, almost an act of welfare. At the same time, some auditors will require to be satisfied strictly that no more is paid for the goods than would have been if they had been purchased in the ordinary way. The writer in the past found that some of the officers connected with these organizations were quite unaware of the law relating to district audit in local authorities. The Ministry of Health clearly show this awareness by the phraseology chosen to describe these transactions. One has sympathy with the organizations which have a great fight to produce goods under conditions which involve a high overhead compared to production under industrial conditions.

Contract Law.—The law relating to contract is exceedingly interesting and there are several good textbooks dealing with it. Students are advised to consult the list of references in Appendix A. An extremely useful summary of the law of contract

relating to supplies was contained in a paper read by Mr. P. W. H. Revington, legal adviser to the Manchester Regional Hospital Board, to the Manchester Regional Conference in May 1953. (This paper was subsequently published in *Supplies* in the issues dated July and August 1953.) There are some interesting legal considerations surrounding the question of the sealing of contracts by public corporations and between some distinctions between municipal corporations and other local authorities. For example, strictly, it has been held, the seal is the only authentic evidence of what a corporation has done or agreed to do, but against this, the seal is a matter of form in that a contract may become enforceable by subsequent ratification under seal. Very broadly the position is similar to the stamping of agreements, which may be done subsequently by paying the scheduled penalty. Further, of course (as common sense would imply) the failure of a corporation to seal a contract does not affect the contract's intrinsic validity but only prevents its enforceability.

Local authorities (other than municipal corporations) are incorporated by statute and can only legally do those things which they have been granted statutory power (expressly or by implication) to do. If, therefore, they contract to something outside this power, such an act is *ultra vires* and the contract is void in law. We saw in Chapter Seven the powers of the district auditor in local authorities; the question of what is lawful becomes a matter to which careful attention must be paid in view of the statutory position of local authorities. The exception is the municipal corporation. These bodies are common law corporations and as such are directly exempt from the doctrine of *ultra vires*. Any contract made by a municipal corporation (unless it conflicts with a statutory prohibition) is, therefore, good. Students who may desire to follow these distinctions a little more closely are advised to consult *Hart's Introduction to the Law of Local Government and Administration*.¹

¹ *Hart's Introduction to the Law of Local Government and Administration* (5th Edition, 1952), by William O. Hart, CMG, BLC, MA. Butterworth & Co. (Publishers) Ltd.

An aspect of the doctrine of *ultra vires* to be borne in mind is that when in such a case as of a local authority (not a municipal corporation) there is express statutory power to perform certain specified acts, by the theory of exclusion, it is not lawful to perform similar acts which are not specified. An illustration of this is contained in Section 195 of the London Government Act, 1939 (see Chapter Six). Under this Section, the County Council is expressly empowered to "purchase and store and supply to an authority any goods or materials required for the discharge of the functions of that authority." The section then proceeds to define what is meant by the expression 'authority,' listing six kinds of body. By specifically listing the bodies within the definition express sanctions given to act and at the same time, by exclusion, to include any other body would be acting *ultra vires*.

Tenders and Quotations.—In the course of a thoughtful article on this subject by Mr. H. O. Skitt,¹ who is the supplies officer to the Lewisham (London) Hospital Management Committee in the National Health Service, reference is made to a paragraph which appeared in his report on the Accounts of the National Health Service for 1948-49 by the Comptroller and Auditor General in which he stated "the system of purchasing under written contracts placed after competitive tendering, which is the normal method of securing supplies for the public service was not in general use by hospital management committees." Mr. Skitt rightly states that this might come as a surprise to most supplies officers who habitually purchased after obtaining written tenders or quotations. The article goes on:

It must be remembered that 1948-49 was a difficult year for buying under any system and that many hospital authorities have not appointed supplies officers or have incorporated the office under a joint appointment. In others, the supplies officer is not given the powers he undoubtedly should possess. Up to July 1948, many voluntary hospitals depended largely on subscriptions from

¹ *Supplies*, September issue, 1951.

local people and felt bound in return to make their purchases locally. It was difficult to depart from the practice of many years. There have even been instances where management committees have been reluctant to allow their supplies officers to resort to open competition, taking the view that they received the best service from old contractors and also that it was unfair to take the business away from them 'after all these years.' There is still an all too common fear that the lowest tender means a low quality.

Mr. Skitt's article, which is an extremely practical one, is based on many years' experience exclusively in supplies work. It is worth close study by all supplies officers as well as students. As he rightly observes in the preamble: "It is . . . worthwhile to ask why public authorities base their purchases on a system of written tenders. In the first place, as trustees of public funds it is undoubtedly their duty to ensure economy in expenditure by purchasing 'at the lowest practicable cost for the requisite quality' (*vide* Auditor-General's report) but the regular procedure involved is also intended to achieve other objectives. Any purchasing agency must create and maintain a reputation for fair dealing. Not only must the contractors have confidence in the method of purchasing, but the members and officers of a public authority must be especially safeguarded from any charge or suspicion of favouring one contractor above others, or of employing casual methods which result in a good offer being overlooked or ignored through slackness in procedure. No honest and efficient contractor who wishes to trade with a public authority must be allowed to feel that he is deliberately being given no opportunity to do so." In those words are contained not only principles underlying good professional behaviour, good sense, and good practice, but also the fruits of years of experience. We have seen in an earlier chapter (Chapter Two) how influences from a century ago are still at work to restrict the supplies officer to certain fields of spending. We have seen how such a policy has been repeatedly rejected and criticized by Government auditors and inspectors, and in experience we have seen how it can lead to waste, misuse

and even corruption. Of course, as has been reiterated in this book, there are occasions and there are commodities, and there are conditions where it is good sense and good business for a supplies officer to depart from the normal course of inviting competition, where he may have to go into the open market or where he may have to confine his invitations to quote to a limited list of suppliers. No one experienced in supplies work would suggest otherwise. There are occasions when it is necessary to buy specialized equipment or articles made by one manufacturer only. Some large supplies organizations buy fruit and vegetables by sending officers to Covent Garden and other early morning markets. But when all is said, a great volume of articles and equipment needed for common use by public authorities should, in the interests of both the public and the manufacturers, be purchased by fair competitive tender or quotation in which any honest firm, which has the proper resources for fulfilling the contract, should have the opportunity of making a bid. Sometimes it has been objected that the overhead administrative cost involved in the issuing of invitations to compete, and in the subsequent dealing with offers could be eliminated or reduced by authorizing officers to purchase within their discretion. Such a suggestion takes no consideration of the basic fact that public business differs fundamentally from private business. Officers are trustees of money and property that belongs to the public and the principles of public accountability must override expediency.

Conditions of Contract.—Whenever firms are invited to tender or submit quotations they should be required either to submit their offer on a form which contains the conditions of contract or alternatively return with their offer a signed endorsement of the conditions. Most forms of contract of public authorities are designed so that they contain the conditions arranged in two separate schedules, namely, first the general conditions applicable to all contracts and, second, the special conditions relating to the article or class of articles to which the invitation refers. Broadly it can be said that the fewer the conditions and the simpler the language used the better. It is not really necessary to include

clauses relating to offences in law though it is very common practice to do so. For example, some authorities include a clause referring to the giving or offering a favour or bribe to an officer. In my view, although it is true that during the past few years a vast number of new offences have been created in law through the operation of Government by reference, it must be presumed that trading firms are as aware of the law as the officers of public bodies. If a firm engages in transactions with a public authority without making itself aware of the Prevention of Corruption Acts, it has only itself to blame. There is no obligation on the public authority to quote the statutes.

It is still usual to have a clause relating to the payment by the firm of 'Fair Wages' to its employees, although the changes of the past few years in collective bargaining have made this almost completely redundant. It is interesting, by the way, that this clause has never, in the experience of the author, been invoked in regard to the wages of office staff.

Many contracts will require a clause in the conditions giving representatives of the public authority access to the factory to inspect work in progress, and often access to the firm's books or records. Clauses relating to methods of packing usually fall under the heading of special conditions. Sometimes penalty clauses for failure to deliver within the dates agreed are necessary. A similar kind of clause may relate to penalties if the percentage of articles found damaged on delivery exceeds an agreed figure. This, of course, does not override the obligation to exchange or allow credit for broken or damaged articles delivered. Where goods are imported, it may be advisable to insert a condition that evidence must be produced showing that all customs duty and other dues have been paid. Some authorities include a clause stipulating that patent or royalty dues, if any, shall be paid by the contractor. A clause which is commonly inserted is a general one to the effect that the goods supplied shall in every way conform to specification, and that in any failure of their doing so any cost incurred thereby to the customer or carriage shall be defrayed by the contractor. Another clause often inserted is that

the articles shall be manufactured in the contractors' own factory and that the sub-letting of the contract is not allowed.

Often it is difficult to distinguish between the specification and a special condition of contract. For example, the percentage of moisture in tobacco or bacon or the proportion of meat content in a sausage. It is probably best to consider the specification as a description of the article, and the special conditions of contract as referring to its manufacture or delivery or its condition on arrival or a penalty for departure within agreed tolerances from the specification or two or more of these things. For example the following is an illustration of a special condition of contract as distinct from the specification. It relates to textiles. "All textiles to be thoroughly dry and shrinkless and to be free from faulty places, stains and speckles." A condition such as that would apply to all textiles; the specification on the other hand might be confined to an invitation to tender for say, sheets, where the conditions applied to sheets only would be set out.

To summarize, the general conditions of contract should cover, (a) compliance with specification, (b) conditions of rejection and replacement or refund, (c) empty containers (a matter of some importance nowadays when the charges for containers are considerable), (d) loss or damage in transit, (e) rendering of invoices and accounts, (f) payment, and (g) fair wages and conditions of employment in manufacture. At one time, the country of origin was a matter of some consequence and many standard conditions of contract contained a clause requiring a declaration as to this. Special conditions should be confined to items or classes of item. The specification should be as clear and precise as possible, using positive, definable words. If samples are required, it should be made clear whether they are returnable or not. The tender form should also contain exact questions as to discount with alternatives for monthly and seven-day payment. The latter is important as considerable savings can be made if machinery is devised for prompt payment. In one large authority a saving of between £40,000 and £50,000 a year was effected by obtaining discount for payment of the accounts within seven days. Incidentally, in

the same authority, the annual turnover in value of empty containers exceeded £150,000. Hence the suggestion that the position as to charging and credit for empties should be clarified in a clause in the general conditions of contract. An important practical consideration in drafting special conditions of contract and specifications is that it is useless to insert requirements that are not capable of being checked. A specification should be a real thing, not an essay in perfection. Care should be exercised in the use of trade terms or names. As has been seen in Chapters Five and Six, the National Coal Board and the Metropolitan Water Board have taken very great trouble to compile a vocabulary of stores. In the coal industry, prior to nationalization, there was an almost unbelievable variety, not only of the specifications of articles in common use but as great a variety in the names or terms used to refer to them. Supplies officers should avoid rather than be tempted to use trade jargon. A further point to remember in considering special conditions of contract is whether there are any requirements in regard to manner, form and rate of delivery, and in packaging. With foodstuffs, this is especially important. Where a breakdown in store for internal distribution is involved (e.g. deliveries to school feeding canteens or to hospital wards) it is worth considering whether it is economic to pay a trifle more for smaller packs. Big supplies organizations may find it pays to break down large packs into small ones in the department's warehouse. There is one matter in which it is important that special care should be exercised, namely, in stating the quantity of each item required. Often this figure has to be stated as 'estimated.' It should be understood that 'estimated' is expected to mean approximately the quantity to be ordered. Should anything occur between the sending out of invitations and the receipt of the quotations to vary the 'estimated' quantity substantially or even moderately, all firms involved should be notified by letter. The validity of a contract in law may be affected if there is a variation of any consequence between the quantity 'estimated' and the quantity subsequently ordered. A moment's thought, looking at the question from the supplier's viewpoint, will make

it obvious that the approximate figure may be very important to him. Not infrequently, a firm, in returning a quotation, will submit a letter making an offer for an article differing slightly from the specification. Such offers must be dealt with on their merits and with caution, as such an offer, if accepted, might be unfair to the other firms. On rare occasions, the specification or the special conditions of contract may be amended by the firm without comment. Care must be taken to examine every offer and note whether any alteration has been made.

Finally, a further word as to a practice (mentioned in Chapter Eight) which grew up during the war and, indeed, in a sense may be said to stem from Government controls, namely, the condition imposed by many firms, in submitting quotations, of prices ruling at time of delivery. The original argument was that, as the Government fixed by control the prices of many raw materials and settled in many cases by industries the rates of pay and hours of work of employees, these two all important factors were outside the firm's power and that, therefore, if either or both varied after despatch of the tender before final fulfilment of the contract, the quoted prices should be varied by the amount involved. In many industries, the practice of applying 'prices ruling' became a custom and recognized as such. The Ministry of Supply acquiesced and many large supplies organizations, like that of the London County Council, adopted the course of rubber-stamping quotation forms with words to the effect that, unless the firm stated 'prices ruling,' their quotation would be regarded as firm. To-day, when most controls on commodity prices have been removed and industries and trade unions are freer to bargain, there would appear to be little ground for the continuance of the 'prices ruling' condition. Be that as it may, it is for supplies officers to ensure that a quotation, before acceptance, is definitely and unmistakeably either 'prices ruling' or firm.

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